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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

No. 60



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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### TRADE OFFICIAL DISCUSSES DISTRIBUTION COSTS

Moscow SOVETSKAYA TORGOVLYA in Russian 3 Feb 83 p 1

[Article by Yu. Alpatov, deputy chief of the Trade Financing Division, USSR Ministry of Finance: "Distribution Costs"]

[Text] Systematic growth in the volume of retail turnover and the measures adopted to provide working people better service in domestic trade predetermine also the constant rise of domestic trade's distribution costs. Utmost economy and thrift in the expenditure of material, manpower and financial resources are especially timely under these conditions: a 1-percent reduction of distribution costs this year could save 250 million rubles and increase accordingly the amount of accumulation within domestic trade. Cost reduction helps to overfulfill the profit plan and, naturally, also means that more can be allotted to the incentive funds. So that every collective within the branch and every worker within domestic trade may have a direct economic incentive to economize. However, as Yuriy Vladimirovich Andropov, the general secretary of the CPSU Central Committee, emphasized at its November plenary session, the plans are being fulfilled for the time being at substantial outlays and production costs.

Regrettably, the audits conducted by financial organs indicate that the existing reserves for a further reduction of the costs in domestic trade are by no means being utilized always and everywhere. What are these reserves?

First of all, the proper planning of distribution costs. Taking advantage of their authority to plan costs independently, some managers in domestic trade are seeking to make life for themselves easier, by including a cushion in their plans. This is being done without regard for the level actually attained, and for the cost-reduction targets that the superior organizations have set. Audits last year uncovered many cases of inflating the planned distribution costs, at domestic trade enterprises in the RSFSR, the Uzbek, Kazakh, Georgian, Azerbaijan, Lithuanian, Moldavian, Kirghiz SSRs and other Union republics.

Planning the costs of distribution in unjustifiably increased amounts does not motivate the workers in domestic trade and public catering to aim for utmost economies in the expenditure of financial resources and physical assets, for the reduction of nonproductive expenditures and losses, and for zealous management.

Another reserve for increasing the profitability of the enterprises in domestic trade is economical expenditure of the wage fund, which accounts for nearly half

of the distribution costs. An immutable economic law is that the retail turnover must always rise at a faster rate than wages. Briefly stated, wages must be earned.

The situation has been different at many of the country's domestic trade enterprises. At practically all outlets of the Kalinin Oblispolkom's Trade Administration, for example, the 1981 plan provided for a faster rise of average wages than the growth rate of the retail turnover per worker. In the retail trade of the city of Poti (Georgian SSR), the retail turnover per trade worker increased in 1981 only by 0.4 percent over 1980, but average wages rose by 4.4 percent.

In our opinion, the decision adopted in 1982 to plan from above the workforce and wage fund for each enterprise in domestic trade will enhance the elaboration and realization of measures to increase labor productivity through the practical application of the advances in science and technology: mechanization of the processes, curtailment of manual labor, and further perfection of the systems and forms of remuneration. All this will make for lower distribution costs.

And what great savings in distribution costs can be achieved through the properly planned supply of merchandise to the trade network! For the time being, however, some managers--as the results of the audits showed--are not ensuring the necessary control of the use of motor transport in the solution of this problem; they are violating the law by falsifying records to show longer transportation distances, heavier loads, and longer hours for the motor vehicles. Substantial amounts are being paid as demurrage for delays in loading and unloading merchandise. For example, the Kirsanov Municipal Trade Administration in Tambov Oblast had a transportation cost overrun of 36,000 rubles, of which 30,000 rubles stemmed from the tolerated falsification of records. In the trade organizations of the Komi ASSR Union of Consumer Cooperatives demurrage increased 2.2-fold, to 300,000 rubles. At some domestic trade enterprises in the Moldavian SSR demurrage accounted for 30 percent of the total transportation costs.

Considerable reserves for cost reduction and higher profitability exist at the enterprises and organizations of domestic trade in the liquidation of all types of losses due to mismanagement. Such expenditures are still substantial, amounting to tens and millions of rubles. An on-the-spot study of the causes of the nonproductive expenditures and losses shows that they result from serious shortcomings in the organization of commercial work and the handling of claims, from ordering merchandise with a limited shelf life in quantities that exceed the population's demand, from failure to ensure suitable conditions for the storage of the merchandise, and in some instances from a direct lack of responsibility on the part of managers at enterprises and organizations within domestic trade. Cases of spoilage were found at the Rybach'ye Municipal Trade Administration and Balykchinskiy Union of Consumer Cooperatives in the Kirghiz SSR, at the Kasan Municipal Trade Administration in Kashkadar'ya Oblast of the Uzbek SSR, at the Krasnovodsk Municipal Trade Organization for Trade in Food Products and the Chardzhou Municipal Trade Administration in the Turkmen SSR, and at many domestic trade enterprises and organizations of the Ukrainian SSR and other Union republics. At the same time, a long list of trade enterprises could be cited where losses of merchandise and packaging have been reduced to a minimum or are entirely absent. Consequently, the losses can be eliminated, and everything depends on the skillful organizing work and greater responsibility of managers at the enterprises and organizations of domestic trade.

During the last years of the 10th Five-Year Plan, in conjunction with the changes in the conditions of transporting, storing and selling merchandise, considerable work was done to revise downward the norms of allowances for natural losses of merchandise in domestic trade. Introduction of the lower norms has helped to save merchandise and reduce distribution costs. In view of the fact that the allowed losses of merchandise in domestic trade still amount to a substantial total, however, an important task of the enterprises and organizations in domestic trade is to work constantly to further reduce ordinary losses and shortages of merchandise, especially food products. As evident from the results of the efforts in this direction by many of the country's domestic trade enterprises, the possibilities for such a reduction do exist. By following the recommendations of scientists to switch from the technology of freezing meat to its refrigeration, for example, the Ukrainian Meat and Dairy Trade was able to substantially reduce last year its losses of meat in comparison with the natural losses that the norms allow. Supplying refrigerated meat, instead of frozen meat, to the stores and public catering enterprises saves the Lithuanian Meat and Dairy Trade about 2000 tons of meat a year.

Reserves for saving financial resources exist also in other areas of the trade and public catering enterprises' production and economic activity: in the use of raw materials, supplies, fuel and power for production purposes. It is only necessary to constantly and purposefully implement the measures for finding these reserves and channelling them into economic circulation.

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### FOOD INDUSTRY OFFICIALS ON MATERIALS SUPPLY PROBLEMS

Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 4 Feb 83 p 3

[Comments on a letter to the editor by various officials: "Packaging Trials and Tribulations"; passages enclosed in slantlines printed in boldface/

**/Text/** /Dear Editors! I am writing to you immediately upon returning from a grocery store. Probably everyone is familiar with the feeling of getting tired waiting in line while the salesperson cuts something up, pours something out, and waits on each customer individually. Please try to get those persons who are supposed to be concerned with organizing these matters interested in the following question: why do we have so few pre-packaged products for sale?

A. SHIRYAEV/

RUBLEVO.

/The first to comment on this letter was A. VETLUGIN, the deputy chief of the Foodstuff Trade Department of the RSFSR Ministry of Trade:/

"Your reader is right: trade receives very few packaged products from industry, despite persistent requests and even demands. This, of course, retards the development of progressive forms of trade, particularly--self-service stores.

According to statistical data, today in the RSFSR the proportion of industrially packaged food stuff items within their total amount comes to about 40 percent. In defining our needs for this, we usually cite the figure of 60--65 percent. It would seem that the gap is not so great, but the average figure is quite confusing. Because, of course, this 40 percent also includes piece-type items: wine, canned goods, tea, etc. But now, for example, margarine is packaged by industry only in a total amount of 18 percent, meat--2 percent, butter--8 percent, groats--9 percent....

It is paradoxically a fact that, despite the obvious advantages of industrial packaging, certain ministries not only are not increasing but are even decreasing its proportion from year to year. Just take whole-milk production, for example. During the five-year plan which has just elapsed its production increased by 16 percent, while its packaging increased by only 6 percent.

Matters are even worse in the case of sour-milk products, cottage cheese, and curd-cheese items: within the total significant growth of their production packaging was reduced even in comparison with the 1975 level. Enterprises of the USSR Ministry of the Meat and Dairy Industry began to make 1.5 times as many pelmeni [meat dumplings] during the five-year period, but their packaging increased by only 8 percent. But even this growth is purely pro forma--pelmeni are packaged in 10-kilogram cardboard boxes. And the stores began to receive only about half as many smaller-sized packages.

And how much of such a valuable product as granulated sugar is lost because of the fact that we are compelled to sell it from bags! You see, during recent years, with total sales of more than 3 million tons the RSFSR Ministry of the Food Industry has packaged--how much would you think?--only 10,000 tons in all.

It gets worse as we go on. Even such an ordinary thing as a box of candy has become a rarity. And this is not only because there is less chocolate candy being produced. It is simply that the enterprises of the Ministry of the Food Industry do not particularly trouble themselves with packaging it. Caramels, syrup-filled bonbons, toffee, etc. are practically not packaged at all.

Like it or not, we have to take upon ourselves the functions of industry and package the items ourselves, albeit badly and meagerly. It is fully understandable that the quality of our home-made packaging leaves much to be desired. And, finally, this is also unprofitable: under store conditions packaging costs 1.5--2 times as much as it would in the industry, not even to mention additional losses.

I have been shown the letter which was sent to the editor by G. Zakharovich, a worker at the Nizhnetagil'sk Metal Combine. He writes as follows: "Recently more and more products have begun to appear for sale in some kind of unnaturally enormous packaging. Well now, I ask you, who needs liter-size jars of mustard or mayonnaise or three-liter jars of tomato paste? Gigantomania in the packaging of food products leads only to a situation whereby a considerable portion of them winds up in the garbage."

Unfortunately, your reader is right, especially with regard to canned fruits and vegetables. The USSR Ministry of the Fruit and Vegetable Industry has remained deaf to our requests to increase their output in small-sized packaging. Nowadays we receive more than half of our canned goods in containers which range in volume from 3 to 10 liters. For a small family this is a misfortune--a considerable portion of the product, being stored in an unsealed can or jar, will be spoiled. Such a situation is all the harder to understand in that the industry has often had opportunities to meet us halfway with regard to this problem. Thus, the enterprises of the above-mentioned ministry have at their disposal the capacities to pour juices into as many as 100 million half-liter bottles. But we receive less than one-fifth of this amount. Particular concern is caused by the output of baby food in large containers (almost half of the total production), although specialists have asserted that it is feasible to produce it in small jars containing one-fourth of a liter or less.

In short, I think that industry in this matter should proceed to a radical restructuring."

/Having received these explanations from a representative of trade, we directed ourselves to the USSR Ministry of the Fruit and Vegetable Industry. Our questions were answered by V. NESTERKIN, chief of the Main Administration of the Canning Industry:/

"When the trade people ask: 'Give us some more canned goods in small containers,' it is both ridiculous and insulting. You know, we are also consumers, just like everybody else. And I myself would much rather buy a half-liter jar of tomato paste than, let's say, a three-liter one. But we supply the stores with such 'colossal'-size canned goods only because we are extremely short of technical equipment (autoclaves, fillers, capping and sealing machines) so that we cannot normally organize the packaging of canned goods in small containers. No automatic units are being produced for packaging amounts of less than 0.2 liters. It is understandable, most likely, when there is not enough domestic production of baby food in small-size packaging.

Of course, we could make considerably fuller use of returnable containers. But, alas, we have absolutely no jar-washing equipment; we have to wash the jars by hand. The Ministry of Machine Building for Light and Food Industry have known about these difficulties of ours for a long time now. Furthermore, in accordance with directive documents, this ministry was assigned the task of creating the necessary lines as far back as the beginning of the 1970's, but the matter has not proceeded beyond the talking stage.

To be sure, tests are now being run on a jar-washing machine, which has been created at the Melitopol' Prodmarsh Plant, and we hope that these tests will be carried out successfully. But even in this case output would not begin for a year or two and, moreover, would produce only a few dozen machines a year. But we need hundreds of them!"

/There was not much optimism which wafted from the reply by B. GUTNIK, chief of the Main Administration of the Meat Industry of the USSR Ministry of the Meat and Dairy Industry:/

"But what can we do? We are catastrophically short of packaging equipment and packing materials. For many years the Ministry of Light and Food Industry and Household Appliances struggled over the creation of a line to produce and pack semi-processed meat products. Its creation was assigned to the Kapsuksk SKB [Special Design Bureau]--RUA [?]. But what was finally manufactured at the Kapsuksk Food Automatic Unit Plant turned out to be unsuitable for operation. Or take the case of those pelmeni. The Minsk Experimental Design bureau of the Myasomolmash VPO [All-Union Industrial Association] developed a special pelmeni line. But its batching-packaging assembly-unit is practically inoperable. We have to package the pelmeni by hand, but this takes a third of the labor expended on their production.

We are attempting, as best we can, to correct the situation ourselves: at several of our own enterprises we are manufacturing automatic units for producing pelmeni. But for packaging them we utilize a re-modeled automatic unit which formerly was used for packaging salt. Naturally, exact batching is not

obtained; we have to add or take away a number of pellets by hand in a package. In short, we are still waiting for a serious attitude toward supplying our enterprises with up-to-date packaging equipment.

/We also obtained an interview with V. DONSKOY, deputy chief of the Dairy Industry Administration of the USSR Ministry of the Meat and Dairy Industry:/

"Why are there not enough packaged dairy products? The answer is simple: no packing materials. USSR Gosplan does not satisfy our requisition orders. Therefore, we are employing only 30--40 percent of our capacities. And so, go seek out the persons to blame in other departments."

\* \* \*

We did not seek any further. It could be predicted without fear of being mistaken that in the Ministry of Machine Building for Light and Food Industry and Household Appliances they could cite the shortage of metal for the output of equipment, in the Ministry of Ferrous Metallurgy--to the miners, who have not provided enough coking coal, in the Ministry of the Coal Industry--to the railroad, which did not send enough cars, and in the Ministry of Railways...to the shortage of packaged products, because of which there has been a decline in the mood of the railroad workers and, together with this, a decline in labor productivity as well.

But, to be sure, this is not a matter for joking. For we are losing not only time and money. Staff members of the Scientific Research Institute for Studying Public Demand for Consumer Goods have asserted that with industrial packaging of items by means of reducing normative losses /annual savings in the USSR alone would amount to about 4,000 tons of groats, more than 3,000 tons of sugar, more than 2,000 tons of macaroni-type products, etc./

The Food Program has planned to achieve the output of the basic foodstuffs in packaged form in quantities of 60--70 percent of the total amount of their sales. But this problem is still being solved too slowly. And this is because, above all, departmental boundaries have at times become deep gulfs; in the links of the chain of related industries there has not appeared the necessary initiative and responsibility for the end result of economic management.

It is utterly necessary to put an end to this. We would like to receive a response from all the ministries and departments concerned regarding precise efforts well-thought-out from every aspect and coordinated, directed at speeding up the solution of this important national-economic task, which affects the interests of millions of people.

/Letters Department of  
SOTSIALISTICHESKAYA INDUSTRIYA/

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EX: 107/12

## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### PLANNING, ORGANIZATION IN SPARE PARTS INDUSTRY DESCRIBED

МОНЕТЫ ПЛАНИРОВАНИЯ И ОРГАНИЗАЦИИ в Russian No 2, Feb 83 pp 32-37

[Article by P. Popov, professor and doctor of economic sciences, and V. Vasil'kov, candidate of economic sciences: "The Planning and Organization of the Production of Spare Parts and Replaceable Equipment"]

[Text] The materials of the 26th CPSU Congress emphasize that the main thing for increasing production efficiency at the present time is a resolute change of direction toward improved use of fixed capital and production capacities.

Efficient use of capital assets depends in large part on the level of their maintenance and on prompt and competent repair work. Major overhauls, to be specific, guarantee not only the operability and preservation of capital assets, but in part their improvement as well, since to a certain extent they are performed on the new technical basis.

The major overhaul is more and more being transformed from an auxiliary process to a process that to a considerable extent determines the efficiency of social production. In the national economy as a whole equipment repair costs amount to 8.1 billion rubles, including 30 billion rubles in industry. About 25 percent of all the metal produced in the country, 6.7 million tons in ferrous metallurgy, go for repair purposes. One out of every three workers is employed in equipment maintenance and repair.

Total costs for repairs of all fixed capital in ferrous metallurgy show a growth trend: They were 11.1 billion rubles in the 9th Five-Year Plan and 15.6 billion rubles in the 10th. One reason for this is the intensified use of fixed capital, the inadequate level of its renewal and the existence of a sizable amount of outdated equipment, and another is the introduction of new, powerful, highly mechanized, and as a rule more repair-intensive units along with the widespread introduction of continuous processes, which involve an increase in the amount and complexity of equipment. As expenditure of funds for repairs increases, there is an increase in the relative share of expenditures for metal used for repair and operating needs in the production cost.

A most important condition for the highly productive operation of a branch is competent repair and prompt maintenance of units with durable and reliable spare parts and replacement equipment.

A sizable amount of identical equipment is in operation at enterprises of ferrous metallurgy: hoisting equipment, conveyors and industrial trucks, metal-cutting equipment, forging and pressing equipment, construction machines, foundry equipment, and earthmoving equipment. That is why their production needs to be centralized in order to meet the needs for spare parts for that equipment.

The need to meet the requirement for spare parts of various types of equipment at an enterprise results in an excessively long list of parts to be manufactured and a very sizable volume of production. For instance, the list of products produced in the repair shops of the Zhdanov Metallurgical Plant imeni Il'ich is 2.7-fold greater than in the similar principal production shops of the machinebuilding association "Zhdanovtyazhmash." The volume of output of repair shops of enterprises in ferrous metallurgy is 1.8-fold greater in physical terms (tons) than the volume of those same products at metallurgical machinebuilding enterprises.

Both mechanical engineers and process engineers have difficulty preparing production because of the great number of different spare parts and replacement equipment manufactured by repair services of metallurgical enterprises. The processes for manufacturing them are developed for general-purpose equipment, using general-purpose tools and attachments. Moreover, the great diversity of products makes it problematical to organize flow-line production, which affords the possibility of achieving high labor productivity and the quality of the product that meets the present-day scientific-technical level. Systematic improvement of the design of the individual assemblies and parts of metallurgical units as a result of modernization brings about an annual renewal of about 40 percent of the parts on the average.

The fact that spare parts and replacement equipment are produced in runs of differing size in repair shops and sections of enterprises makes it more complicated to record, plan and analyze their activity both within the enterprise and also at the branch level. At the present time many enterprises are making attempts to improve the physical, labor and value indicators for evaluation of the volume of output, labor productivity and production costs in those shops and are developing their own methods.

For instance, at Uralmash, the Novyy Kramatorsk Machinebuilding Plant and the Magnitogorsk Metallurgical Combine estimates are made of products both in physical volume and also in quota-hours expended and planned, that is, in terms of labor intensiveness. At the Kuznetsk Metallurgical Combine intra-plant price lists are drafted for the products of repair shops; they are used in planning and recording their production. At other enterprises evaluation is made in tonnage adjusted for labor intensiveness, and the adjustment coefficients are worked out on the basis of the processing of statistical data of only the enterprise in question with respect to one of the leading manufacturing operations. All of these methods that have been developed and introduced are disparate in nature and reflect the level of production and labor productivity of the enterprises which were the basis for devising them.

At metallurgical enterprises spare parts and replacement equipment are manufactured in foundries, forging shops, boiler fitting shops, and machine shops, whose normal operation and the quality of whose products depend upon pattern-making, tool and die, heat treatment, and welding sections and departments. For instance, along with complicated casting, ingot molds and bottom plates are also made in iron casting shops; the specific labor intensiveness of their manufacture is 1/10-12 and 1/17-24 what it is for cast shapes; in addition to complicated machine casting, in steel casting shops they are manufacturing drop hammers, hopper boxes and pouring basins, ingot mold plugs, and other uncomplicated castings with low labor intensiveness; in forging and pressing shops, boiler fitting shops and machine shops, along with complicated parts weighing less than 0.5 kg, comparatively simple pieces are made weighing several tons or even tens of tons. At the Zhdanov Metallurgical Plant imeni Il'ich the relationship between parts with low and high labor intensiveness (of foundries, forge shops, boiler fitting shops and machine shops) varies within a considerable range in the course of a year.

In order to achieve effective planning, reliable recordkeeping and objective analysis, the economic department of the Zhdanov affiliate of Ukgiprommez [Ukrainian State Institute for the Project Planning of Metallurgical Plants], jointly with the Economics Institute of TsNIIChM [Central Scientific Research Institute of Ferrous Metallurgy] imeni I. P. Bardin, has developed a method of comparing each of the shops with respect to the production of machine parts, spare parts and replacement equipment at two levels.

The first of them is for intraplant operational planning, analysis and recordkeeping. At this level the output of the shop is broken down according to the customary classification used in the wholesale price lists. Castings, forgings and machined parts weighing 200-500 kg and of average complexity are converted to a conventional unit; metal fabrications are compared to craneway beams weighing 200 kg. For convenience in performing the operations of converting the products to comparable form diagrams, tables and mathematical relationships have been worked out. In general form the converted weight is determined from the formula

$$Q = G(a + bG^{-c}),$$

in which Q--weight of products adjusted for labor intensiveness, materials intensiveness and production cost, kg;

G--physical weight of the part, workpiece, kg;

a, b, c--constants, depending on the complexity and type of product and also on the size of the annual production run.

In order to record and reflect in planning the increased expenditures of labor when the annual order is broken down into lots, a coefficient has been introduced to make a corrective adjustment for labor intensiveness, materials intensiveness and production cost of the sum total of products of a particular designation:

$$m = 0.3 + 0.2(N/P)^{-0.2},$$

in which  $m$ --coefficient for corrective adjustment of the labor intensiveness, materials intensiveness and production cost of the total;  
 $N$ --number of products in the annual order, in pieces;  
 $P$ --number of products on the list of the planning (reporting) period, in units.

The method provides coefficients for converting repairs to new spare parts and replacement equipment, and the volume and complexity of repair work are taken into account (see the table).

#### Classification and Values of Coefficients for Converting Repair Work to New Parts, Spare Parts and Replacement Equipment

<u>Type of Repair</u>	<u>Restoration of Bearing Surfaces of Products, %</u>	<u>Conversion Coefficient</u>
Major overhaul	At least 50	0.60
Moderate repairs	31-49	0.40
Minor repairs	16-30	0.25
Current maintenance	Less than 50	0.10

The second level of comparison of products is for policymaking and planning at the branch level and for interplant analysis and recordkeeping. At this level the output of each of the repair shops (castings, forgings, stampings, metal fabrications, and machined parts) is broken down into spare parts (new and rebuilt), replacement equipment and ingots. Moreover, all the products are converted to a form comparable with new spare parts.

In order to carry out interplant analysis of repair services of metallurgical plants and the analogous production operations of machinebuilding plants, the entire gross output of initial processing and machine shops are compared, taking into account coefficients determined from labor expenditures in manufacturing the products in the branch as a whole, with new machined parts and spare parts.

An analysis of the effect of concentration of production of spare parts and replacement equipment on labor productivity which was conducted at eight metallurgical enterprises indicates that aside from concentration the organization of the mechanical engineering and process engineering aspects of preparing production also has crucial importance.

At a majority of metallurgical enterprises the department of the chief mechanic prepares a routing sheet for the manufacture of the spare part in repair shops (sections) when the orders of shops for the manufacture of spare parts and replacement equipment are being processed. The manufacturing processes involved in the production of workpieces and machining are worked out by the engineers of the repair shops. Should specialized tools, jigs and fixtures be required, they are designed, and an order is filled out for their manufacture.

At the present time management of the production of spare parts and replacement equipment does not follow straightforward patterns from one group of metallurgical enterprises to another. For instance, at some enterprises in the first group (with a value of fixed productive capital exceeding 450 million rubles) the departments of the chief mechanic function with a centralized production engineering service (the Magnitogorsk, Orsk-Khalilovo and Karaganda Metallurgical Combines, the Zhdanov Metallurgical Plant imeni Il'ich); at others there is no centralization (the Krivoy Rog Metallurgical Plant); and at certain enterprises such departments have partial centralization of the production engineering services furnished to shops ("Zaporozhstal'" and the Cherepovets Metallurgical Plant).

The effect of centralizing the production engineering on the level and growth of labor productivity was studied by comparing the data. The highest level of labor productivity was achieved at the Magnitogorsk Metallurgical Combine. The reason for this is that it had the highest concentration of production of spare parts and replacement equipment and organized a centralized production engineering service earlier than at other enterprises.

The influence of centralizing production engineering is noticeable at the Zhdanov Metallurgical Plant imeni Il'ich, where a central production engineering laboratory has been created. As a result labor productivity in production of spare parts and replacement equipment rose substantially at this enterprise. At the same time at the Krivoy Rog Metallurgical Plant, even though the department of the chief mechanic was organized earlier than at the Zhdanov plant (without centralization of production engineering), labor productivity did not increase as much. Concentration of production of spare parts and replacement equipment at these two enterprises has increased equally, since new capacities--steel shape casting shops, pattern-making shops, repair and machine shops, and other shops--were added at almost the same time.

For purposes of a very rapid increase in labor productivity, to reduce the downtime of equipment during repairs, and to improve the quality of repair work done the conversion to assembly and unit types of repairs needs to be made everywhere. But this requires a substantial increase in the output of spare parts and replacement equipment, improvement of their quality and organization of sections for repair and adjustment of assemblies and units outside the principal production shops of metallurgical enterprises.

There are various alternatives for increasing the production of spare parts and replacement equipment: construction of large new shops; radical reconstruction of existing shops and sections, including introduction of progressive processes and intensification of production processes in combination with closing down the small sections with outdated equipment; unification of the repair shops of several metallurgical enterprises located in the same economic region. Carrying out these major projects will, of course, require sizable capital investments, and that means that those funds will be diverted from development of the principal metallurgical production.

Increasing the level of concentration of production of spare parts and replacement equipment by expanding some subdivisions, providing them equipment and staffing them with skilled personnel, and elimination of other subdivisions, retiring outdated equipment from operation and making the personnel who operate them available for other work, is very difficult to do, since it requires large outlays not only for industrial construction, but also for housing construction. In order to increase the manufacture of these products at a faster rate than the growth of metallurgical output, then, it has become necessary to seek new forms of organization of production that would not require a radical revision of long-range capital construction plans.

One such form, in our opinion, might be concentration of production of the production capacities of shops and sections for manufacturing spare parts and replacement equipment that exist at metallurgical plants so that they make products of certain types from start to finish. This kind of specialization must be based on effective cooperation of the enterprises of a given geographic region.

Concentration of production by product type, combined with narrow specialization, is possible if the condition is met of setting up interplant centralized subdivisions for production engineering and production planning, whose responsibilities would include documentary preparation of production and determination of the optimum extent of specialization and the volume of deliveries under cooperative arrangements. Since all enterprises of a particular region, regardless of the subbranch they belong to, have materials-handling equipment, forging and pressing equipment, metal-cutting equipment and other equipment, they could be covered by the concentration and specialization of these subdivisions by product type. Production engineering and production planning services could be centralized on an interplant basis and charged to the labor ceilings of the enterprises. The most feasible cooperation is for all shops manufacturing spare parts and replacement equipment to remain under the administrative and cost-accounting systems of the metallurgical enterprises; a regulation on material incentives for performance of their cost-accounting indicators, provided they carry out the plan for cooperative deliveries within the framework of the plan of the given association would be adopted for them.

In our view it would be effective to set up associations for the production engineering and planning of the production of spare parts and replacement equipment in order to realize the advantages of concentration by product type. This kind of organization of the production of spare parts and replacement equipment will guarantee specialization of the existing shops and sections, along with substantial reduction of the list of products produced; concentration of experienced process engineers and mechanical engineers in a single creative organization and faster development and application of advanced technology; creation and introduction of scientifically sound standard rates of consumption of basic and auxiliary materials, standards and scales used in mechanical engineering and process engineering projects, and reduced expenditure of supplies and labor.

Organization of regional associations for industrial engineering and planning of the manufacture of spare parts and replacement equipment will make it possible over the next several years to substantially increase the production of high-quality metal for repair and operating purposes for minimal capital investments.

Two stages are possible in setting up repair associations and raising the level of centralization and specialization. The first stage would be to organize associations in association with large metallurgical combines to provide them repairs, including shops and sections for manufacture of spare parts and replacement equipment, primitive repair shops and sections, repair services and workshops within larger shops, roller turning and roller grinding departments, administrations and sections of the branch's repair trusts which are at the present time providing services to those enterprises. In the first stage--before the set of norms and standards has been adopted, before ceilings have been set, and before funds have been allocated, it is important to make provision for the following:

- i. responsibility of the metallurgical enterprise's management for the material and technical supply of the repair association in the assortment and quantities required for performing the operations involved in repair and maintenance of fixed productive capital;
- ii. the responsibility of the repair association's administration for the uninterrupted operation of metallurgical units during the assigned period of time and compliance with all instructions concerning operation of fixed productive capital;
- iii. mutual financial responsibility for breaches of operating instructions on the one hand and for the quality of repair work on the other;
- iv. incentives for engineering and technical personnel of the metallurgical enterprise which take into account compliance with operating instruction;
- v. a system of material incentives for supervisory personnel of the repair association as a function of the quality of repairs of equipment and technical-and-economic indicators.

The second stage would be setting up regional repair associations with centralized production engineering and production planning services, including all the repair plants and repair services of the small plants (not brought together in the first stage) with the status of independent cost-accounting enterprises or sections, depending on the staff size and volume of production.

The principal tasks of the regional repair administrations would be these: drafting flowcharts for the manufacture of spare parts and assemblies so as to take into account specialization of the repair subdivisions that exist; creation of manufacturing processes for the production of spare parts, including the redesign of parts which are labor-intensive or present production difficulties; introduction of the most efficient arrangements for cooperative

deliveries within the region; the drafting and performance of measures related to new equipment and progressive technology in the subordinate repair enterprises; joint performance with scientific research institutes of research projects aimed at increasing the reliability and operating life of metallurgical equipment, the strength of individual assemblies and parts, reduction of the labor intensiveness of repairs, and so on.

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## CONSUMER GOODS PRODUCTION & DISTRIBUTION

### CONSUMER COOPERATIVE HEADS ON PROBLEM SOLVING

Moscow SOVETSKAYA TORGOVLYA in Russian 10 Feb 83 p 2

[Report: "From Speeches at the Discussions"]

[Text]

V. Yermakov  
Chairman of the Board  
RSFSR Union of Consumers' Cooperatives

"The first month of this year has passed. The data from the operational report testify that the republic's consumer's cooperative has made a successful beginning. The plan for retail goods turnover in the amount of 3.2 billion rubles has been fulfilled. Plans for goods turnover and realization of individual productivity in public catering, city cooperative trade, and production of industrial products, have been fulfilled. It is especially pleasing to note that in January of this year we purchased 31,000 tons of meat, which is greater by 40 per cent than for January of the past year.

"This is a good start for our labor. But ahead lie many complex and difficult tasks, the solution of which requires a great deal of organizational work, with total performance of all of our strengths and capabilities.

"However, there are problems which we are unable to solve by ourselves. These are the lack of balance in the plan for retail goods turnover with resources both as a whole, and with respect to the range of goods, as well as by quarter; the shortage of transport and fuel for the vehicles; and shortages in various types of necessary equipment, and building materials. This list could be lengthened. These problems are well-known. Of course, we understand how difficult their solution is, but Tsentrsoyuz must solve them, and more persistently.

"And there is still another problem. The question is one of production expenditures in the procurement of potatoes. They have not been reviewed since 1970. In that period the norms for production expenditures reflected the actual situation with respect to expenditures; but during the passing years, wages were put in order, the rates for electric power were changed, as was the price of fuel, etc. In a word, expenditures have grown and now are causing huge, multi-million ruble losses to the system. And after all we purchase more than five million tons of potatoes per year.

"Naturally, the procurement offices have no economic interest in increasing purchases and in trucking them away. We understand that this is not a simple problem. However further purchasing and hauling of potatoes by means of administrative pressure alone becomes harder and harder."

K. Terekh  
Chairman of the Board  
Belorussian Union of Consumers' Cooperatives

"The consumer cooperatives in our republic are criticized every year for lags in procurement of fruits, and especially apples. The criticism is justified, but not everything depends on us.

Nearly 60 percent of the early and mid-season varieties of apples are grown in Belorussia; these are not easily stored and are mainly suitable for processing. Therefore, during the peak of the harvest season, the processing enterprises of the consumers' cooperatives, and those of other ministries and departments, even though they work around the clock, are unable to accept the entire crop.

"In order to solve this problem, it is necessary to first of all establish small sections in each rayon union of consumer's societies and rayon consumer cooperative, for processing the fruit into pulp and juice. However, setting up the sections is being delayed as a result of the lack of the necessary equipment, especially food-pulping machines, washers and certain other machines. And they are allocated in extremely small amounts. This year, for example, 28 pulping machines were ordered for Tsentrosoyuz, but only two were allocated; they requested 54 washing machines, but received 13. And there are not enough polyethylene bags.

"The question of reduction further transfer of potatoes requires solution. Every year the plan calls for us to supply them in large amounts to the republics of Central Asia and the Trans-Caucasus. With such long distances losses of the product are inevitable, and they are reckoned in the thousands of tons. In order to not permit such losses, turnaround of rail cars must be speeded up; and it would be wiser not to plan for us to haul potatoes to these republics, and to transfer the supplies to the regions in the south of the country which are not so far away. We could then provide the full volume of supply of tubers to Moscow, Leningrad and other nearby industrial centers."

V. Mikhaylova  
Deputy Chairman of the Board  
Gorodets Rayon Consumers' Society,  
Gor'kiy Oblast Union of Consumers' Cooperatives

"Our collective, in honor of the 60th anniversary of the founding of the USSR, was awarded the Red Challenge Banner of the CPSU Central Committee, the USSR Council of Ministers, the AUCCTU and the Komsomol Central Committee, and has become an initiator of the All-Union Competition of workers in consumers' cooperatives in the nation for 1983.

"At the basis of all of our successes lies painstaking, day-by-day and purposeful work with the cadres. We have established a professionally-trained administrative staff; and everyone, starting with the sales personnel, the cook, the procurement specialists, the commodity expert, the bookkeeper, right up to the chairman of the board, has received special training.

"During the years of the Tenth and the two years of the present Five Year Plan, the number of specialists with higher skills has doubled. Good production conditions have been established for workers in all sectors of activity; mechanization is being introduced from year to year, and the labor processes are being made easier. There is no personnel turnover in any of the sectors of cooperative activities.

"In the rayon consumers' society an atmosphere has been created of intolerance for any violation of labor and production discipline. At the same time, methods of moral and material stimuli are used and constantly improved."

S. Litvinenko  
Chairman of the Board  
Ukrainian Union of Consumers' Societies

"In order to successfully solve the tasks facing the consumers' cooperatives, it is necessary to develop its material-technical base at an accelerated rate. However, as before, this is being held back because of lack of equipment, mechanisms and materials.

"In order to successfully fulfill the tasks put forward by the Foodstuffs Program, the Ukrainian cooperative workers must, in the course of 2-3 years rebuild and reequip up to 200 production enterprises. However, stocks of the necessary equipment for the bread-baking and canning industry, and for making non-alcoholic beverages, are in extremely short supply.

"I shall cite only one example: Presently there are 410 sections for producing non-alcoholic beverages in Ukoopsoyuz [Ukrainian Union of Consumers' Societies], more than half of which do not have automated lines for bottling the beverages. Funds allocated to Ukoopsoyuz for these lines (12-13 per year) will permit reequipping these sections only after 15-20 years.

"We are unable to organize rhythmic work at the production enterprises in the system because of lack of supply in raw materials, spices and other kinds of subsidiary materials. The requirement of the cooperative industry for citric acid, for example, is to be fulfilled this year by only 30 per cent; for sugar, by 56 per cent; lids for canning, by 55 per cent; glass jars, by 42 per cent; returnable packing boxes, by 30 per cent. It is completely incomprehensible, why the cooperative workers have been put in an unequal position with respect to the Ministry of the Food Industry and the Ministry of the Fruit and Vegetable Industry. This complicates assimilation of resources from the populace, and the processing of non-standard products, the proportion of which is significant, especially for fruit."

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### PUBLIC POLLED ON CONSUMER SERVICES

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 5 January 1983 page 2 carries GCP Central Committee Propaganda and Agitation Department Lecturer A. Totadze's 1,600-word piece on the work of Tsekavshiri's (Georgian Consumer Cooperative's) Public Opinion Council, which was established 2 years ago to poll the public on trade and consumer services, especially in rural areas. It was found that around 35 percent of those polled thought that things had improved, 35 percent thought the improvement was slight, and the rest thought no improvement had been made. Complaints focused on shortages of essential goods, rudeness and insolence on the part of sales clerks, incompetent repairs and similar services, cheating and shortchanging, extortion, illegal dealing with scarcity goods through the "good old boy" system, and the like. Trade and service personnel still include too many "casuals" unsuited for the work. In the case of food services (factory cafeterias, school lunch facilities, and so on), dissatisfaction remained high--lack of variety, poor quality, rude personnel, and even high cost--and a great many of those polled said they avoided public food services altogether.

### TBILISI BREAD PROBLEMS PERSIST

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 8 January 1983 page 2 carries Vl. Ginzburg's 1,100-word article on Tbilisi's bread situation. In general, there is plenty of bread--in fact owing to low prices, people tend to take it for granted and often waste it. Nevertheless, at peak hours, especially just after people get off work and want to buy some to take home, there is none in the stores. Another serious problem is quality. Whole batches are found to be either scorched or underdone. And because of the uneven quality of the flour going into it, the bread that is sold often has the wrong taste or smell, or dries quickly and turns "hard as a brick." Conscientious bakeries have sometimes had to reject whole consignments of flour for substandard quality. Finally, the author comments as well on the fact that customers are often treated rudely and shortchanged by shop clerks.

### GEORGIAN TRADE, SERVICES SHOULD FIT TIME TO WORKERS' NEEDS

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 14 January 1983 page 3 carries Pediatrician M. Diasamidze's 300-word piece noting that in many areas of social and consumer services and trade (including medical services), operating hours are set so that production workers can take care of household and

personal needs only by taking time off during working hours, often without asking permission, which impairs productivity. He urges that measures be taken to rectify this situation and truly serve the working people.

#### TBILISI STORES TO OPERATE LONGER HOURS FOR WORKERS' CONVENIENCE

[Editorial Report] Tbilisi KOMUNISTI in Georgian on 15 January 1983 page 2 under the general heading of responses to the Dimitrov Plant initiative carries N. Norakidze's 800-word interview with First Deputy Trade Minister N. Chumburidze concerning the ministry's measures to enhance discipline and, in particular, extend the working day of department and other stores in order to give workers more time to take care of their needs. Department stores and a number of other outlets will now stay open until 9 pm. Store clerks will work in two overlapping shifts, but their working conditions will not be impaired thereby (70 percent are women, necessitating extra measures to provide adequate child care and other services).

In a brief exchange, interviewer and interviewee discuss the continuing problem of store clerks' and food service personnel's discipline, as reflected in rudeness to customers, pilferage, under-the-counter dealings, and frequent refusal to give back the correct change. Deputy Minister Chumburidze acknowledges these problems and notes that measures have been taken to oblige store, restaurant and shop managers to spend more time on the job to monitor workers' compliance with regulations. Daily log-in and log-out sheets are also being introduced.

The same topic is dealt with in a 900-word front-page editorial on 16 January, stressing that rescheduling the operating hours of stores, health care facilities, housing and municipal offices, repair shops, and so on to fit the workers' needs will make it possible to cut way down on absenteeism and improve discipline.

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## HOUSING AND PERSONAL SERVICES

### TRADE OFFICIAL ON CONSUMER SERVICES

Moscow SOVETSKAYA TORGOVLYA in Russian No 12, Dec 82 pp 16-19

/Article by L. Tariverdiyev, chief of the Administration for the Organization of Trade and a member of the USSR Ministry of Commerce: "Intensification and Improvement in the Quality of Services"7

/Text The policy worked out by the 26th CPSU Congress for the intensification of the country's economic development applies in particular measure to Soviet commerce. This is not only a matter related to the fact that our sector has at its disposal a multitude of reserves, especially in the utilization of space and volumes of trading enterprises, in the use of equipment and labor resources. The increased need to make more effective use of them also results from the fact that trade must grow steadily and expand following the appearance of new cities and the consolidation of existing cities, villages and other population points. Also, capital investment and labor resources are severely limited.

Consequently, there is an objective need to provide for increases in commodity turnover and services in these areas, given a static or even slightly reduced number of workers, while at the same time preventing any reduction and even improving constantly the quality of trade services provided to the public. The mutual linking of these trends, which at first glance appear to be mutually exclusive, is now the main task of the sector. The concrete paths and forms to complete it have been determined by the decree of the CPSU Central Committee and the USSR Council of Ministers "Concerning Measures to Further Develop Trade and to Improve Commercial Services for the Public in the 11th Five-Year Plan." This involves, first of all, the introduction--on a massive scale--of the achievements of science, technology and the most advanced experience into trade. It is, after all, only on this basis that labor productivity and the flow-through capacity of the commercial enterprises can be raised, while at the same time the level and quality of services for customers are raised to modern levels.

In order to provide for the intensification of trade it is essential to have goal-directed efforts, of course, in planning activities, in the work to improve labor and material incentives and in the organization of socialist competition.

But there is a sphere in which the reserves for intensification are especially great: it includes utilization of the material-technical base of trade, the degree of the mechanization of labor processes, the operational technology of stores and warehouses and organization of service for customers.

At any general direction in the development of the economy, intensification cannot fail to bring to life new forms of management, which must be taken up by the commerce ministries of the republics. New types of norms and standards which all trade enterprises and technologies must reach have appeared and will be established in the future. Previously it was considered sufficient, for example, to recommend that manufactured-goods and food stores operate on a self service system, but today this is not enough.

In recent years, as is well known, scientific-research and planning-technological institutes have combined their efforts with those of the customer--the union Ministry of Commerce--to work out standard technological models of specific types of trade enterprises: "Self-service Market," "Goods for Children," "Goods for Young People," "Goods for Sports and Tourism," "Appliances for Daily Living," "Radio Goods" and others. These models combine for the first time requirements for the structure of the product range, planning decisions, types and distribution of equipment and staffs. These norms, which are tested through the experience of progressive enterprises of trade, create a basis for the intensification of commercial-technological processes in any operating store, a basis which is more comprehensible to practical workers and therefore a more realistic one.

It is no accident, for example, that in the union republics 130 trade enterprises are planning to introduce models of the "Goods for Children" store before the end of the five-year plan. But careful organizational work has been necessary to achieve a positive result: an all-union school of advanced experience has been held, as have republic-wide instructional meetings, with participation by the developers of the model and, finally, an all-union examination of the organization for trade in children's goods.

With the passage of time (the sooner the better) it would be desirable to achieve as well recommendations on the scientific organization of labor which are applicable to the technology of specific types of stores; the recommendations would vary according to the type of store. This will enable them to be added to the model, which would then become an irreplaceable reference book for the director of every trade enterprise. In this completed form the standard model would combine within itself organically the requirements both for the intensification of the technological process and as well as for improvements in the quality of trade services.

At the same time it should be noted that the introduction of many new technological ideas, methods and norms has been delayed for a long time in many cases only because it was difficult to get them to the people who would use them: the circulation was lacking. This irritating obstacle on the path of scientific-technical progress is far from being harmless. The ministries of commerce in the union republics and the TSNIINTEI [not further identified] of trade should take extraordinary measures to overcome difficulties of this kind. It is obvious that the Scientific-Technical Organization of Commerce can also be counted on for definite help.

In addition to standard technological models for entire enterprises, initial efforts have been made to develop technological processes for the utilization of definite systems for trade equipment. Included here, for example, are recommendations on the use of packaging equipment. It would seem that this beginning should continue in order to make maximum use of trade equipment capacities, especially in public catering and trade in foodstuffs.

When talking about trade equipment as a component of a technological process mention must be made of how much remains to be done in improving non-mechanical equipment for stores. At present this equipment is being planned and developed without a proper link with the modern types of stores and functional purpose (for demonstration and sale of individual goods).

Undoubtedly, standardization of equipment is essential, but up to a certain limit. The benefit, after all, must be calculated on the basis of the end result, according to whether the equipment makes it possible to accommodate maximum stocks in the sale area, or to display a particular product better, etc.

Unfortunately, many types of trade equipment which are effective in this sense for non-food products can at present be found in the nation's stores only as inventions of local innovators and rationalizers or as one-time import models, which are not available in other cities. This applies, for example, to certain types of equipment, which are very necessary at present, for the display of carpets, fabrics, scarves, men's jackets.

Work is being completed on a project commissioned by the USSR Ministry of Commerce to develop a scientifically grounded product list for non-mechanical equipment for various goods. This work is linked entirely to the intensification of trade technology, requires continuation in the form of standard plans. However, there is no one to do the planning. Previously this was the work of Giprotrorg, State All-Union Institute for the Planning of Trade Establishments and Public Catering Facilities but subsequently the work in this area was halted. A service of this kind should probably be created within the system inasmuch as no one, except commerce, is in a position or is even interested in determining and reflecting in a plan the requirements for equipment which predetermines an entire technological process.

The most important reserve for the intensification of trade is the more effective standardization of stores and siting of facilities in the trade network. Here there are also many changes in the normative arrangement. Recently the USSR Ministry of Commerce and the USSR State Committee for Civil Construction and Architecture approved a new official list of store types. It is important for this list to reach every trade administration but also every trade organization and major enterprise.

In contrast with the previous list, the new official list serves not only as a reference point for planners, but also as an applied instructional document on the respecialization of existing enterprises, which make it possible to create the most economical and convenient possible structure (i.e., convenient for the public) for the trade network. To put it differently,

the list should be used widely and on a daily basis, even now, and not just for future planning.

Take, for example, stores of the "self-service supermarket" type; their advantages in the quality of service and the level of profitability have shown themselves for a long time. For many reasons, including objective ones, the construction of new supermarkets of this type has not taken place in recent years at the same high rate as it did in the previous 10 years. At the start of the 11th Five-Year Plan the state trade network had only 373 of them (about 3 percent of the trade area of food stores and about 4 percent of their commodity turnover), and this number is obviously inadequate. But at the same time the country had more than 4,000 food stores--distributed quite evenly--which carried a complete line of food products and had a sales area of more than 400m<sup>2</sup> each. They sell no less than one-third of all food products, but not one of them provides a truly complete product supply. Moreover, the structure of the product list in these stores differs widely, and usually they do not sell bakery items or vegetables. At the same time about 60 percent of all bread products are sold in specialized bread shops and bakeries which carry pastries as well as bread products, and these shops are located next to or not far from the grocery or food store. All this leads to additional expenditures of time for shopping, and as a rule, the profitability of the bread stores is low. The USSR Ministry of Commerce determined one of the top priority tasks for the coming years to be remodeling stores with an area of more than 400 m<sup>2</sup> into stores of the "self service supermarket type. In addition to new construction, plans call for the renovation of 150 of these stores before the end of the current five-year plan.

The respecialization of stores calls first of all for the maximum expansion of their product range, including high-demand everyday non-food items, the establishment of conditions to receive and sell products in packaged form. As the experience of the Zavodsk Rayon Food Trade Center in Minsk shows, for example, the renovation of such a store with a sales area of 600 m<sup>2</sup> with the construction of a covered platform, lifting equipment and partial replacement of existing equipment, came to about 180,000 rubles. Unfortunately, this important and economical way of intensifying the use of trade areas has so far met with a lukewarm reception in a number of republics.

In this regard, it is worth noting that under conditions of limited resources, it is essential to work at creating the maximum convenience for shoppers. The supermarket is not required to be a masterpiece of architecture. It is primarily a store, which offers a complete line of goods and saves the public's time.

Or there is this problem. While the specialized fruit and vegetable network was being transferred to the Ministry of Fruit and Vegetable Farming, a number of cities in the country found that the sale of vegetables and potatoes in all supermarkets and food stores within the Ministry of Trade system had stopped, although this had not been stipulated in the conditions for the establishment of the new trade system. As a result, the number of outlets for the sale of vegetables was significantly reduced, and this

created inconvenience for the public. It is perfectly obvious that this kind of violation of the requirements for the standardization of stores must be eliminated and not permitted in the future.

Thus, in the food trade, the path to intensification and the creation of convenience for shoppers lies primarily in the expansion of the product range in the store.

As for the non-food goods, there arise here in accordance with the requirements of the new official list of store types the question of the directly prescribed, although gradual and consistent transformation of small department stores (less than 3,500 m<sup>2</sup> of sales area) into Houses of Trade with the corresponding limited grouping of product variety, given simultaneous specialization of the current network of "Promtovary" (manufactured goods) stores. The measures in this area must be stipulated in the programs for comprehensive rationalization.

In recent years many of the nation's cities have accumulated a wealth of experience in the specialization of trade in technically complex goods for daily life and in products of light industry. In the process, radical forms of work worthy of dissemination have been found. For example, in Leningrad a decision of the gorispolkom has led to sales of all technically complex goods being concentrated only in the stores of Glavtorg /Main Administration of Trade/ and in proprietary stores of the industry. The wholesale organizations have been forbidden to allow the following goods into the stores of other trade systems (Departments of Workers Supply and Offices of Food Supply for Workers and Employees): television sets, refrigerators, lighting, pianos, furniture, sewing machines, etc. Moreover, the sale of sewing machines is concentrated only in one store in the city, refrigerators sales are concentrated in 11, television sets in eight, pianos in two, and bicycle and motorcycle goods in eight.

In a number of cities in the Uzbek SSR trade is specialized according to a different principle. Here a substantial portion of the non-food network consisted of trade enterprises with an area up to 100 m<sup>2</sup> which had a mixed assortment of goods. For this reason in cities such as Namangan, Andizhan, and Margelan, it has been necessary to take the path of more narrow specialization: stores were established in the following categories: "Women's Shoes," "Children's Shoes," "Glass and China," "Headgear and Fur," etc. Photography and radio goods, as well as watches, were removed from "Children's World," and the sale of toys and office supplies was started in the vacated area.

Trade is specialized in a unique way in Tselinograd. The following major new enterprises, provided with modern equipment, have been opened in the city: "House of Clothing" (3,000 m<sup>2</sup>), "House of Footwear" and "House of Fabrics" (700 m<sup>2</sup> each), "Melodiya" (618 m<sup>2</sup>) and a general city department store (6,000 m<sup>2</sup>).

In Sumgait (Azerbaijan SSR) stores with an average amount of floor space, but a complete assortment of goods removed on a consistent basis their technically complex goods and light industry items. In 1980 the sale of

fabrics was stopped in eight stores, and sales of clothing were halted in 20; sales of footwear, electrical goods and household appliances were stopped in 13, sales of radio and musical goods were stopped in two, photographic sales were stopped in five, and the sale of watches was halted in 10 stores. The sale of all these items was concentrated in a limited number of major specialized stores and sections of the department store. As a result, the trade areas for certain goods were increased. And one of the major branches of TSUM (Central Department Store) with an area of 1,082 m<sup>2</sup> was respecialized into a "Children's World Department Store." This made it possible for the bulk of children's goods to be concentrated in three of the city's stores: "Children's World" and two large stores in new neighborhoods.

In Frunze there were previously eight stores selling cultural supplies, i.e., office equipment, musical instruments, etc. used in the organization of cultural and/or educational activities, and now there are only three. With the opening of the specialized stores called "Watches," the Promtovary" Association stopped selling these items in all the remaining stores of the city.

We have cited on purpose examples from such a vast geographical diversity of forms and methods for the rational, respecialization of the trade network. It shows that in our country this work is being carried out on a mass scale, in a planned manner, and with great benefit, both economic as well as social, as can be judged by the responses of customers.

Today a new stage is arriving, one which opens up much greater opportunities. As was mentioned, all measures for the respecialization of the network must be part of a program of comprehensive rationalization, which will provide them with financial and material resources, as well as with the authority to make decisions at the level of the oblast (or kray) ispolkoms, (and this is frequently essential to overcome regional tendencies).

The new official list of store types is becoming a great source of help which provides specific alternatives for the respecialization of stores. Particular attention should be given to that part of the list which contains recommendations on the so-called additional types of stores (their number has doubled), for which quarters should be assigned from the space which has been vacated as a result of respecialization within the network. This is not just an optional matter; it is a definitely recommended alternative for the use of vacated premises of appropriate dimensions moreover, it is an alternative which is oriented toward improvement in the structure of the trade network and toward more goal specific influence on production: examples include the stores "Cooking Ware," "Sanitary Engineering," "Instruments," "Garden Supplies," "Do It Yourself," etc.

The process of intensifying the utilization of the material-technical base and the organizational forms of trade required a stronger mechanism for the planning administration of its development to implement a unified technical policy. Previously, the targets for growth in the network (and these targets alone) were established in a centralized manner; they included targets for the department stores. Targets were set at the republic level for the

development of self-service establishments and the construction of kolkhoz markets. Now, however, the number of targets specified from above has been increased substantially. They reflect basic directions in the improvement work, and especially intensification, as well as improvement in the trade and technological processes with simultaneous increases in the level of service provided to the public.

In addition to those targets named above, the republic set targets for 10 more indicators in the 11th Five-Year Plan; further, each of them was provided with information in the form of a statistical report. These targets were developed by the republic ministries by means of frequent analysis and consultation with the local organs of trade administration and the USSR Ministry of Commerce.

For example, the level of self service is scheduled to reach 60-70 percent in nearly all the union republics. For the first time targets were established for the growth of self service food stores operating on the basis of progressive technology in food supply and the sale of goods using packaging equipment. In the statistical report this indicator is based on strict requirements for the definition of such a store: the packaging equipment cannot be utilized only within the store. This category will include only those enterprises which sell goods in packaging provided by the suppliers, and amounts to 20 percent of the commodity turnover for grocery stores and bakeries, 40 percent for supermarkets and food stores with a complete product range and 60 percent of the fruit and vegetable stores, bread shops and "Mineral Water" stores. Under these conditions ensuring that the increase of more than 3,000 stores using packaging, as planned for the end of the five-year plan by the ministries of commerce in the republics, means that it is absolutely essential to remove the packaging equipment from all those stores which will not meet the established standard and to concentrate the use of this equipment at the most prepared enterprises. This is also intensification as soon as the specified proportions of the commodity turnover make it possible to reduce the number of loaders and other auxiliary personnel, as well as provide economic benefit throughout the technological chain.

The more than 1,200 new points for the reception of preliminary orders at industrial enterprises and construction projects which are planned to open before 1985 will constitute a reserve for saving commercial space and at the same time they will be a means to provide for significant convenience for blue- and white-collar workers.

At present the industry has only modest preliminary ideas about a new, type of store requiring a high level of skill and which deals in large-size goods, by showing samples and delivering the goods to the customer's home--bypassing the store--directly from the industrial enterprise or from wholesale or retail warehouses. These are "stores without selling space," which achieve all or part of their trade turnover without using their own space. And their effectiveness does not stop at this: they also eliminate the need for repeated shipments, packaging and unpackaging of goods; they save labor and fuel, preserve the quality of the items,

while the relations between the customer, transportation, service facilities and the producer will soon be regulated by a standard statute.

It is planned to increase the number of such units by 400 throughout the nation. Of this number 147 will be in the Ukraine, where this innovation is being introduced most actively. In the Crimean Oblast, for example, 25 of the Mebel (Furniture) Firm's 29 stores sell using display models; moreover, the goods are shipped from the factories or trade centers to territories throughout the oblast.

These and other targets for the development of progressive types of stores (for example, stores selling children's merchandise), and for increases in particular types of services form this five-year plan's most urgent collection of directions for development, and at the same time they constitute the backbone of programs for comprehensive rationalization. The republic targets are only the minimum which can and must be covered in the development of programs for rationalization, including those based on material support from other industries.

As experience is accumulated in the development of area programs for comprehensive rationalization, it would be correct, in our view, to shift gradually from republic targets to union-wide goal-oriented guidelines and to volume limits, for example, in the development of self-service in the sale of certain groups of goods, in the level of packaging equipment used in trade based on orders, etc.

And the last point. Any administration is effective only when the end result is planned and the work directed at reaching it. We have learned a lot about planning for the convenience of the customer, but the economic effect derived from rationalization, and in particular, from the intensification of trade processes, remains for now practically unmeasurable and for this reason ungovernable. It would be advisable to develop in the near future a set of methods for calculating the savings of manpower which results from the introduction of the appropriate systems of mechanisms and technological processes in order to plan in a concrete way on this basis the reduction of manpower at certain trade facilities for the purpose of shifting personnel to newly opened facilities.

Thus, intensification and improvements in the quality of service are completely compatible, they can and must be planned, linked together and introduced, while creating the appropriate normative, economic and organizational preconditions and levers.

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## HOUSING AND PERSONAL SERVICES

### INSURANCE IN BSSR FOR 1981-1985 OUTLINED

Moscow FINANSY SSSR in Russian No 1, Jan 83 pp 68-71

[Article by P. T. Lyashkevich, chief of the BSSR Main Administration for State Insurance (BSSR Gosstrakh)]

[Text] The broad program of socioeconomic measures outlined by the party for the 11th Five-Year Plan, including the Food Program and measures to improve the prosperity of the workers, requires sizable financial resources in whose mobilization state insurance has an important role.

On the basis of a further rise in the level of field work with the general public, economic monitoring, and extensive development of socialist competition BSSR insurance agencies are effectively solving the problems of fulfilling plans for collection of insurance premiums and socialist obligations. This is specifically indicated by performance in the first year of the 7th Five-Year Plan, which is an anniversary year for Gosstrakh agencies. The plan for collection of insurance premiums was fulfilled at a level of 104 percent, including 106.1 percent for voluntary types of insurance of individuals. Under socialist obligations 14.6 million rubles were mobilized over and above the annual plan. The growth of collection of premiums on voluntary insurance was 10.3 percent.

Dynamic development of all types of voluntary insurance has been achieved in the republic. At the outset of 1982 their coverage was 72.8 percent.

The best results were achieved by insurance agencies of Grodno, Minsk, and Mogilev Oblasts and Minsk. Collectives of the Gosstrakh inspectorates of Brestskiy, Glubokskiy, Svetlogorskiy, Smorgonskiy, Vileyskiy, Minskiy and Goretskiy Rayons and the cities of Pinsk, Novopolotsk, Svetlogorsk, Grodno, Lida, Soligorsk, and Bobruysk were in the vanguard of socialist competition. These collectives have repeatedly been the victors in the All-Union Socialist Competition. Successful fulfillment of plans and socialist obligations is the result of improved effectiveness and quality of insurance work, enhanced responsibility and effectiveness of our personnel, universal introduction of the work-team method, and widespread introduction of computers.

We have quite a few qualified specialists, many of them have been recognized for their selfless work by being awarded state prizes, the honorary title of

distinguished economist of the republic, honorary certificates of the USSR and BSSR Ministries of Finance, and the central and republic committees of the trade union of personnel of government institutions.

Socialist competition plays a leading role in performing the task of further development of state insurance, as experience over many years has shown. Much has been done in recent years to perfect its forms and methods. Every year all insurance agencies in the republic adopt collective socialist obligations, and personnel adopt individual socialist obligations.

Problems in organizing socialist competition and fulfillment of plans and organizations are constantly being discussed in party and trade union assemblies and production conferences. Ceremonies are held when the results are totaled up, the winners are awarded challenge banners, pennants and money prizes. Much attention is paid to visual and audio presentation. Special display stands and honor rolls have been set up in most insurance agencies.

Competition by agreement occupies a distinguished place. Agreements are concluded among all administrations and inspectorates of Gosstrakh. Competition has moreover extended beyond the borders of the republic. Insurance agencies of Belorussia are competing with their counterparts in LiSSR and LaSSR, oblast administrations of Gosstrakh with their comrades in RSFSR and the Ukraine. For instance, the Grodno and Brest Oblast Administrations are competing with the Volyn Oblast Administration, those of Mogilev and Vitebsk Oblasts with that of Smolensk Oblast, those of Minsk and Gomel Oblasts with that of Chernigov Oblast, and that of Minsk with the administration of the capital of neighboring Lithuania. The collectives of the competing insurance agencies submit data to one another on reporting dates concerning progress in fulfillment of the plan and socialist obligations, and at the end of the year they jointly total up the results and determine the winners.

The movement for the communist attitude toward work is gaining strength every year; about 6,500 persons, 138 collectives of Gosstrakh inspectorates, and 620 teams of insurance agents are participating in it. Competition for the titles "Best in the Profession or Occupation," "Best Young Worker," "Best Tutor of Young People" occupies a particular place. There are 78 inspectorates and 287 teams of insurance agents fighting for the title "Collective Meeting High Customer Service Standards."

On the basis of results for 1981 2,678 workers of the republic's insurance agencies were chosen or confirmed in the high title of "Shockworker of Communist Labor," 445 as "Best in the Profession or Occupation," 25 as "Best Young Worker," and 40 as "Best Tutor of Young People." Two inspectorates and one department of the Gosstrakh administration and 111 teams of insurance agents were chosen or confirmed in the honorific title "Collective of Communist Labor," 3 inspectorates and 2 departments of the Gosstrakh administration and 18 teams as "Collective Meeting High Customer Service Standards."

The basis for fulfillment of plans is the close relationship with party, soviet and trade union authorities, which help in carrying on widespread explanatory work with the general public concerning the importance and benefits

of voluntary state insurance. At the present time councils for promotion of Gosstrakh are functioning in many large enterprises and organizations of the republic. Insurance agents conduct special workshops with members of the council and activists, tell them about the types and terms and conditions of state insurance. As a result the community becomes actively involved in the effort to explain insurance to the general public.

The affairs of state insurance have constantly been in the field of vision of soviets of people's deputies, trade union organizations and councils for promotion of Gosstrakh. One of the methods of improving the organization of insurance work is to discuss the affairs of state insurance in assemblies of the city and rayon party and economic aktiv. Matters related to the activity of Gosstrakh agencies have been discussed nine times in a collegium of the BSSR Ministry of Finance. A thorough discussion about improving service to the workers and further development of state insurance took place in a plenum of the Belorussian Republic Committee of the Trade Union of Personnel of Government Institutions.

Success in the effort depends in large part on the level of advertising. Thanks to creative collaboration with the editorial staffs of newspapers and magazines and radio and television stations 658 advertising announcements have been published, personnel of Gosstrakh agencies have published 995 articles in periodicals, and 616 radio presentations and 11 television presentations have been organized. Review-competitions of insurance work, Insurance Month has been organized, there have been rallies of team leaders of agent teams, and many other measures.

Analyzing the work of the oblast administrations and inspectorates during field trips, you ask the question: What should be done so that the advances of the pacesetters and the best know-how become the property of all collectives? For that purpose the main administration of the republic's Gosstrakh has in recent years paid particular attention to studying, summarizing and disseminating progressive know-how.

During 1981 the know-how of 12 inspectorates of Gosstrakh, 11 insurance agent teams, 2 inspectors, 2 rayon councils for promotion of Gosstrakh and 3 enterprise councils for promotion of Gosstrakh were summarized and disseminated. Information materials and review letters were written, posters were produced, and they were sent out to all inspectorates. One of the most progressive forms of mobilizing work collectives of insurance personnel to achieve high indicators in fulfillment of plans and in developing voluntary insurance and of improving the service to policyholders is the work-team method of operation, which has become widespread in the republic. As of 1 January 1982 95.6 percent of insurance agents were members of work teams with collective remuneration.

A study of the performance of the work teams has shown that with the proper organization this method creates conditions favorable to creative and highly productive work, organically combines the interests of each individual with the interests of the collective, and increases a sense of responsibility for the final results of the effort. Councils of work-team leaders have been

created on a voluntary basis. The principal task of these councils is to join the administration in resolving issues related to the activity of the team, to improvement of their organization, and to identification and activation of unused potential.

Compulsory state property insurance is taking on an ever more important place every year in the system of measures promoting further development of agriculture, assurance of continuous agricultural production and reinforcement of the economic condition of kolkhozes and sovkhozes. Weather conditions in the 10th Five-Year Plan, as is well known, were unfavorable for the republic's agriculture. That is why many farms were in need of substantial financial aid. Agricultural enterprises in the republic were paid indemnity in the amount of 722.5 million rubles. In the first year of the 11th Five-Year Plan 153.7 million rubles of premiums were collected from kolkhozes and sovkhozes, but they were paid 159.9 million rubles in indemnity. Payments of indemnity to the farms which had the greatest losses ranged 500,000 and 800,000 rubles, which represented sizable financial aid in making up the loss and strengthening the economic condition of the farms.

Belorussia's insurance agencies have acquired quite a bit of experience in organizing property insurance for agricultural enterprises, and they carry on this activity in close contact with soviets of people's deputies and agricultural authorities; as a rule they participate in the holding of republic, oblast and rayon seminar-conferences of agricultural personnel, and the latter in turn participate in seminars conducted by insurance agencies. The most experienced personnel work in insuring the property of kolkhozes and sovkhozes in rayons and oblasts. Practical workshops are held with them twice a year. Manuals have been made up for their practical use.

Gosstrakh administrations constantly monitor the correctness and promptness of computing premiums and of the determination and payment of indemnity to agricultural enterprises. The results for agricultural insurance are discussed annually in kolkhoz and sovkhoz property insurance councils. State insurance of agricultural enterprises is becoming more and more effective.

Personal insurance of individuals is growing in popularity year after year. During 1981 the net increase of personal insurance policies of insurance agencies was 6 percent. In a number of cities (Pinsk, Novopolotsk, Svetlogorsk, Soligorsk, Grodno, Lida, etc.) practically the entire able-bodied population is covered by various types of personal insurance. In 1981 personal insurance premiums represented 91.4 percent of total premiums paid on voluntary insurance of individuals, and life insurance premiums alone represented 89.4 percent. Indemnity payments are also increasing steadily.

Insurance agencies are constantly refining their efforts to improve customer service. The work of expert medical insurance evaluation and mechanized processing of insurance data by computer have also been subordinated to this purpose. The republic has 46 VSEK [expert medical insurance commissions] in operation; they serve more than 72 percent of personal insurance policyholders. The others are served by expert physicians.

In all cities and rayons where VSEK are operative accident indemnities up to 100 rubles are paid in cash at the time of the examination. This payment procedure affords great conveniences to the policyholders. Unfortunately, we have not been able to create VSEK or to establish this payment procedure everywhere because of the lack of the necessary office space and other facilities. Mechanized processing of insurance data on computers has been introduced in 93 Gosstrakh inspectorates. Now 85 percent of all personal accounts in the republic have been converted to computer processing. This has made it possible to substantially raise labor productivity and speed up the payment of indemnities. This year we are continuing further introduction and expansion of mechanized insurance data processing. When construction of the Information and Computer Center of BSSR Ministry of Finance is completed, the tasks in conducting state insurance operations will be mastered, refined and put on computer for the insurance agencies of Minsk and Minsk Oblast.

Voluntary property insurance of individuals has undergone further development in the republic, especially the insuring of cattle (coverage 77 percent) and hogs (coverage 62.8 percent). Last year the growth of collection of premiums was 24.6 percent for privately owned vehicles and 11.2 percent for household property. The profitability of operations has risen substantially. Now all types of compulsory and voluntary property insurance of individuals are highly profitable. Insurance agencies do the work of insuring the property of individuals in close contact and with the active assistance of local agricultural authorities, the GAI [State Motor Vehicle Inspectorate], the fire-fighting service and the Central Statistical Administration.

Given the substantial growth of the collection of premiums, the payment of indemnity and the amount of insurance, it is becoming especially important to improve oversight over the preservation of money and to improve the way book-keeping and reporting are set up.

The BSSR Main Administration for State Insurance has regularly made thorough analyses of the material of audits and checks, have been drafting measures aimed at correcting shortcomings in the monitoring of maintenance of financial discipline and preservation of state resources, and has been taking steps to strengthen prior and current checking.

The basis for solving the problems that confront Gosstrakh agencies in the 11th Five-Year Plan is to improve the work with personnel in every way. To that end the republic's insurance agencies have carried out a number of measures in fulfilling the demands of the 26th CPSU Congress, the decisions of the party and government, and Order No 88 of the USSR Ministry of Finance dated 8 May 1981 and entitled "On Tasks To Further Improve Work With Personnel of Agencies in the Financial System in the Light of the Requirements of the 26th CPSU Congress." The qualitative composition of personnel has improved as a result. Today 92.7 percent of our personnel has specialized education. Of those who do not have specialized education 58 percent are engaged in correspondence study in institutes and tekhnikums.

Guided by the decree of the CPSU Central Committee, USSR Council of Ministers and AUCCTU entitled "On Further Strengthening of Work Discipline and Reduction

of Personnel Turnover in the Economy," the administration and party and trade union organizations of Gosstrakh administrations and inspectorates are working constantly to enhance the personal responsibility of every worker for the state of affairs in the area assigned to him. Affairs concerning the effort to carry out the requirements of this decree have been discussed in all the collectives of the republic's insurance agencies. The performance of the Main Administration for State Insurance in carrying out this decree has been taken up in a session of the party bureau of the BSSR Ministry of Finance.

We have drafted recommendations for rural Gosstrakh inspectorates in order to achieve orderly organization of work and to enhance the responsibility of everyone for the area assigned to him. The measures carried out have helped to improve the activity of insurance agencies in the field and to reduce personnel turnover.

Much attention is being paid to retraining and improvement of qualifications. Over the last 4 years 1,151 persons have undergone retraining in courses for improvement of qualifications. In addition, every year state insurance administrations of oblasts and Minsk have been training insurance agencies through courses in a 40-hour syllabus. In 1981, to be specific, more than 1,000 agencies went through training in the courses.

Young specialists are coming to us every year. The tutor system has been organized everywhere in Gosstrakh inspectorates, and councils of tutors, headed by one of the deputy chiefs of the administration, have been created in the oblast administrations of Gosstrakh.

While paying respect to what has been achieved, we critically evaluate our shortcomings and we are constantly and purposively working to correct them.

At the November (1981) Plenum of the CPSU Central Committee Comrade L. I. Brezhnev set the task: compile better plans, fulfill them better, do better and more efficient work. This demand fully applies to the insurance agencies of Belorussian SSR, which are full of determination to make their contribution to strengthening the economic might of our homeland and to raising the well-being of the people.

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## HOUSING AND PERSONAL SERVICES

### ON ADVANCING CREDIT TO TRADE ENTERPRISES

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[Article by N. Ye. Brovkina, O. A. Demchuk, A. Yu. Drugova, M. L. Lisitsyna and G. L. Miroshnichenko: "Methods of Credit Financing and the Interest on Credit"]

[Text] By differentiating rates of interest charged on different types of loans and different borrowers, the bank has an influence on distribution of credit resources, which are used to build up inventories and to make various types of outlays. At the same time the degree of the effect which the rate of interest on credit has on the borrower depends on the influence which payments of interest have on the size of transfers to economic incentive funds, which is bound up with the system of profit distribution.

We studied the structure of interest paid to the bank for credit over the first 9 months of 1981, and the causes of the above-plan need for credit from the data of 44 Moscow enterprises in light industry, the food industry and heavy industry, and also 23 organizations in the trade sector. In the enterprises analyzed interest paid to the bank for the use of loans secured by inventories had the highest share in total interest--51.5 percent, and interest paid on credit charged to the simple loan account to pay bills amounted to 30.9 percent. The relative share of expenditures to pay interest to obtain above-plan loans was also sizable--41.6 percent.

In the industrial enterprises surveyed the breakdown of payments to the bank for the use of credit differed depending on the method of credit financing. Enterprises credit-financed on the basis of the remainder made 44.3 percent of total expenditures for interest for the use of planned loans secured by inventories of merchandise and supplies and 38.2 percent to obtain payment credit to pay bills for goods. The relatively high share of payments to the bank on loans to augment working capital--70 percent of total expenditures for interest.

In enterprises credit-financed on the basis of turnover the following had a sizable percentage in the breakdown of interest paid: charges for exceeding the reference figure for credit financing beyond 60 days--29.4 percent, for exceeding the reference figure less than 60 days--25.2 percent, and for planned loans secured by inventories of merchandise and supplies--22 percent.

Thus a major portion of the expenditures of industrial enterprises to pay interest to the bank, regardless of the method of credit financing, resulted from the use of unplanned loans, which are the most "expensive" in their turnover. Consequently, differentiation of interest rates by types of loan used by industrial enterprises has been having a noticeable effect on the level and composition of expenditures to pay interest on credit.

The causes of the above-plan need for credit in the enterprises analyzed were distributed as shown in Table 1.

Table 1

<u>Causes</u>	<u>Number of Enterprises</u>
1. Above-allowance remainders of merchandise and supplies:	
Less than 1 million rubles	27
Over 2 million rubles	16
2. Lack of "own" working capital	17
3. Accounts receivable:	
Up to 500,000 rubles	31
Over 500,000 rubles	13
4. Goods shipped, not paid for on time	33
5. Goods shipped, not covered with bank credit	17
6. Immobilization of working capital	21
7. Overexpenditures of resources of special funds	15
8. Shortage of funds listed as fixed liabilities	25

Elimination of these causes would make it possible to reduce the costs of the enterprises and to use credit resources more economically.

A similar conclusion follows from the analysis of the figures on 23 organizations in the trade sector. Over the first 9 months of 1981 the trade organizations paid 6,944,100 rubles in interest on credit, 5,785,700 rubles of this, or 83.4 percent of the total, at the ordinary rate (2 percent), and 1,158,500 rubles, or 16.6 percent, at a higher rate, including 7.5 percent of the total amount of interest payments for above-plan loans to finance turnover.

Introduction of high rates of interest on unplanned loans and also on loans which have become necessary because of irregularities in the financial and business activity of the organizations is aimed at instilling in industrial enterprises and trade organizations an economic motivation to speed up the turnover of borrowed funds and to correct irregularities more rapidly. But the effectiveness of the impact which interest has on business processes depends not only on the level of the interest rate, but also on the method in which the interest paid is charged to the results of business activity and also on the relationship of interest to the material incentive system.

We examined the influence of interest on the borrower according to his falling into one of two groups: enterprises which had fulfilled the accumulation plan and enterprises which had not fulfilled it.

Of the 32 enterprises surveyed in Moscow and Moscow Oblast who had fulfilled the accumulation plan, 26 borrowers had above-plan profit for additional transfers to FES [economic incentive funds] over the range from 8,000 rubles to 1 million rubles, but only 13 enterprises of the 26 overfulfilled the plan for the fund-regulating indicators and were entitled to this kind of transfer on the basis of performance for the first three quarters of 1981. These enterprises had a source for additional transfers to FMP [material incentive funds] in spite of the sizable volume of unplanned loans in their turnover.

One of the causes of this situation is the hiking up of the planned size of interest payments. For instance, for all 13 enterprises above-plan interest payments amounted to only 756,600 rubles, whereas the interest paid on unplanned loans amounted to 1,534,800 rubles, i.e., twice as great. Six of the 32 enterprises which had fulfilled the accumulation plan did not have above-plan profit for additional transfers to FMP; in 5 of them the reason for the lack of profit for additional transfers was mainly above-plan payment of interest. The reason for this was that unplanned loans had been taken to finance turnover. The lack of profit for additional transfers to FES because of above-plan payment of interest has fundamental importance for the borrower only if he has overfulfilled the plan for the fund-regulating indicators. In this case only two of the six enterprises acquired the right to additional transfers to FES.

Only 3 of the 35 enterprises in the survey failed to fulfill the accumulation plan for the first three quarters of 1981. In all three enterprises sources of financing fell short of the plan: between 0.3 and 14 percent for sources to make capital outlays and between 0.1 and 3.8 percent for sources to cover the losses of ZhKKh [subsidiary housing and municipal service operations]. The total reduction of outlays to be made from profit was 7.65 percent relative to the plan.

In trade organizations the interest accruing on credit was charged to the respective item of distribution costs. The relative share of this item in the total amount of distribution costs varied greatly from organization to organization: from 0.2 to 65 percent. But we should note that the relative share of the payment for credit exceeded 50 percent only in 2 organizations; in 13 organizations the relative share ranged from 5 to 20 percent, which is apparently typical of most trade organizations.

The saving on the amount of interest paid on credit reduces distribution costs, thereby increasing the size of actual profit, and consequently total transfers from profit to economic incentive funds as well. Thus the payment of higher rates of interest on credit is able to exert or an indirect influence on the size of transfers to economic incentive funds.

An analysis of current practice indicates that the higher rate of interest on credit has a negligible impact on the economic interest of trade organizations in the results of their activity. In 10 of the 12 organizations the sum total of the payment for credit reduced transfers to the FMP less than 1 percent of the planned amount, in 4 the reduction was between 1 and 3 percent, and in 5 it was between 2 and 10 percent. In only one organization--Ostankinskiy Promtorz [trade organization handling industrially produced goods]--this

reduction was 20 percent. The impact of the higher rates of interest on transfers to the FMP was still less significant. For the 16 trade organizations examined as a whole it was characterized as follows: less than 1 percent in 8 organizations, between 1 and 2 percent in 4 organizations, between 2 and 4 percent in 3 organizations and more than 10 percent in 1 organization. The influence of interest paid for exceeding the planned level of credit on transfers to the FMP was calculated for 10 organizations. It was as follows: less than 10 percent in 5 organizations, between 1 and 2 percent in 3, 3.56 percent in 1 organization and 10.9 percent in 1.

Thus in the overwhelming majority of cases the impact of interest paid on economic incentive funds is negligible in industrial enterprises and trade organizations; this raises the question of a feasible and theoretically sound strengthening of the relationship between such economic instruments as the interest on credit and the material incentive system.

As is evident from the analysis made, one of the principal causes of the weak impact of interest on the borrower is that expenditures to pay interest to the bank are planned inaccurately. This results in large discrepancies between the amount of interest on credit which is planned and the amount which enterprises and organizations actually pay to Gosbank. In 24 of the 27 industrial enterprises we studied actual interest payments in 1981 exceeded the planned figures by more than 30 percent. This included 21 enterprises in which actual expenditures exceeded the plan by more than 50 percent, while in 13 enterprises they were nearly twofold greater. We should note that at three enterprises actual payments for interest exceeded the planned amount by more than tenfold. Let us take as an example the Moscow "Raduga" Garment Production Association. In the first quarter of 1981 the association paid 1,218,000 rubles for the use of credit, which is 1,113,000 rubles, or 11.6-fold, more than the amount planned for that period. There was a sizable deviation of actual expenditures for interest from the plan in the fourth quarter of that year as well--877,000 rubles. The planned amount was exceeded by 8.8-fold. Such sizable above-plan expenditures for interest can be explained only by nonfulfillment of the production program. But the association did fulfill the sales plan in the first quarter of 1981 at a level of 103 percent and in the fourth quarter at 100 percent. In planning expenditures to pay interest on credit in the association they gave no consideration whatever to fluctuation of the need for credit during 1981. In the first quarter of that year the need for credit was at its highest, and in the second quarter at its lowest; but the same size of expenditures for interest was planned in the first and second quarters--105,000 rubles.

In the "Zarya" Association of Footwear Enterprises the planned amount of interest in the first quarter was exceeded by almost 1.5-fold, in the second quarter by almost twofold, while in the third quarter of 1981 there was a saving--56 percent of the planned amount. The large deviations resulted from the lack of linkage between the planned expenditures for interest and the planned volume of sales. For example, in the first quarter of 1981 the volume of sales was planned at 36,939,000 rubles, in the second quarter the plan was dropped 6 percent to 34,686,000 rubles, and in the third quarter it was cut back another 5 percent to 33,004,000 rubles. Yet expenditures for the payment

of interest were planned at the same level--394,000 rubles--in the first and second quarters, and in the third quarter they were increased 5 percent to 416,000 rubles. This was in fact the result of an unjustified saving on the payment of interest to the bank in the third quarter of 1981.

In the trade organizations surveyed the deviation of actual payments of interest from the plan has also been rather sizable. For instance, in six of the nine organizations analyzed the departure of actual interest paid from the planned amount was more than 30 percent; in four it was more than 50 percent, and in three it was more than 100 percent. A number of organizations had a saving on distribution costs and even for the item of interest paid itself in spite of paying sizable amounts of interest at the higher rate. This saving, which was the result of the low level of planning the interest to be paid on credit cannot be seen as a merit of trade organizations.

Correlation analysis is one of the methods of planning expenditures for interest. Its use is based on the fact that expenditures for interest depend on individual factors related to the structure of credit-financed investments and the method of credit financing. For example, when credit financing of industrial enterprises and trade organizations is done on a share basis, these factors might include the volume of sales or turnover, the size of the remainder of above-allowance inventories of merchandise and supplies, the amount of receivables and other ways in which working capital is tied up.

The extent to which these factors influence the size of payments of interest is determined by the coefficient of the correlation among the quantities. Given the direct relation between the function and the argument, the linear correlation coefficient may vary from 0 to 1. Moreover, only if the correlation coefficient is greater than or equal to 0.6 can the correlation between the indicators be considered strong. And this will afford us the possibility of planning expenditures for interest as a function of the quantity chosen.

Correlation coefficients between expenditures for interest and the various factors influencing their size were calculated from the data of 47 enterprises in Moscow and Moscow Oblast for 1979, 1980 and 1981: 32 industrial enterprises, 9 trade organizations and 6 sales and supply organizations. The correlation between expenditures for interest on one and the same factor varies from borrower to borrower. For example, the correlation coefficients between interest payments and the volume of sales ranges from 0.02 to 0.86 in industry. In trade organizations the dependence of these expenditures on the volume of turnover varies from 0.15 to 0.92, and in supply and sales from 0.02 to 0.7. This indicates that in selection of the factors determining the level at which expenditures for interest on credit should be planned the individual approach should be taken to each enterprise and only those factors most closely related to interest payments should be used in planning them. At the same time the factors chosen must be planned entities. For example, we examined the correlation coefficients of the dependence of expenditures for interest on accounts receivable. Although at times they are sizable and reach 0.6, we cannot plan percentage as a function of this quantity, since accounts receivable are not planned in enterprises and organizations. The same applies to other ways in which working capital is tied up. At the same time the level of

the coefficients defining the correlation between interest on credit and accounts receivable will make it possible to define the principal measures to reduce expenditures for interest.

We will examine a method of planning the expenditures of industrial enterprises to pay interest with a hypothetical example involving three enterprises whose credit financing is based solely on the remainder. Credit is furnished primarily to cover inventories of merchandise and supplies. We calculated the following regression equations on the basis of actual figures for 3 years (Table 2).

Table 2

<u>Enterprise</u>	<u>Regression Equation</u>	<u>x Denotes</u>
A	$y = 0.0080x - 47.0$	Volume of sales
B	$y = 0.0119x + 0.7$	Volume of sales
C	$y = 0.0447x + 0.2$	Above-allowance stocks of merchandise and supplies

Substituting for x the planned size of above-allowance inventories, which corresponds to the credit financing limit, or the planned volume of sales as a function of the factors chosen, would calculate the planned expenditures for interest for each quarter of 1981. We will compare them to the amounts which the enterprises planned (Table 3).

Table 3

(thousands of rubles)

Indicator	Periods of 1981 (quarters)											
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>	
	Enterprise A				Enterprise B				Enterprise C			
Expenditures planned for payment of interest:												
Calculated by the method	45	52	35	55	25	33	34	49	104	92	91	
Planned by the enterprises	26	26	28	32	5	10	15	10	70	70	70	
Actual expenditures to pay interest	57	47	41	62	29	38	66	42	93	90	106	
Departure of actual expenditures for interest from those planned:												
Calculated by the method	+12	- 5	+ 6	+ 7	+ 4	+ 5	+32	- 7	-11	+ 2	+15	
Planned by the enterprises	+31	+21	+13	+30	+24	+28	+51	-32	+23	+20	+36	

It is evident from the table that the planned amounts which were calculated correspond more accurately to actual expenditures to pay interest than the amounts planned by the enterprises. The deviations that occurred between the calculated interest and interest actually paid to the bank were economically justified. One of the reasons why the actual interest exceeded the calculated and planned amounts was the building up of inventories of merchandise and supplies over and above the planned size, which corresponds to the credit financing limit. For example, at enterprise B in the first, second and third quarters, when actual expenditures exceeded the calculated planned amount, the above-allowance remainder of inventories exceeded the planned size by more than 700,000 rubles. In the fourth quarter the above-allowance stocks of merchandise and supplies dropped 23 percent, which was one of the reasons for a saving on expenditures to pay interest. Above-allowance stocks of merchandise and supplies were the reason for expenditure for interest at the other enterprises as well.

Another reason for above-plan expenditures for interest was the existence of accounts receivable and the tying up of working capital for other purposes. At enterprise B accounts receivable were most substantial in the third quarter, in the fourth quarter they dropped to their minimum. The overexpenditure for interest in the third quarter as compared to the amount planned according to the method proposed and the saving in the fourth quarter are in line with this. At enterprise A accounts receivable were at their highest in the first quarter and dropped in the second quarter. This reduced the need for credit and afforded the possibility of making a saving on the payment of interest.

Reduction of expenditures to pay interest from the planned level was related to overfulfillment of the sales plan and also the availability of unassigned resources in the turnover of the enterprises.

In order to increase accuracy expenditures for interest can be planned as a function of two factors: the volume of sales and the above-allowance remainder of inventories of merchandise and supplies (these factors may be chosen for planning interest in industry). For example, for the "Oktyabr'" Garment Production Association the correlation coefficient was 0.5 for the functional dependence of expenditures for interest on the volume of sales and 0.4 for dependence on the above-allowance remainder of merchandise and supplies according to the calculations we made. The coefficients are too low for planning interest by means of a single-factor regression equation. But the multiple correlation coefficient was 0.6. This afforded us the possibility of calculating expenditures for interest on the basis of two factors: the volume of sales and above-allowance remainder of merchandise and supplies (Table 4).

As we see from Table 4, there are departures of actual expenditures for interest from the planned quantities based on the calculation. An analysis shows that they are economically sound and represent a smaller amount relative to the deviations of actual interest from those indicated in the profit distribution plan.

The planning of expenditures for interest with mathematical-statistical methods if correlation analysis can also be used in other sectors to plan interest

on credit. In trade organizations expenditures for interest can be planned as a function of the volume of turnover, while in sales and supply organizations this can be done as a function both of turnover and also of the size of temporary stocks of those goods for which the credit is to be furnished.

Table 4

Enterprise	Multiple Correlation Coefficient	Regression Equations*		
"Oktvabr'" Garment Production Association	0.60	$y = 242.0000$	$+ 0.00016x_1 +$	$0.0027x_2$
"Vostok" Garment Production Association	0.60	$y = 67.5000$	$+ 0.00068x_1 +$	$0.0180x_2$
"Kozhgalanteriya" [Leather Accessories] Factory	0.78	$y = 0.0175x_1 + 0.0185x_2 - 107.0000$		

\*  $y$ --expenditures for interest;  $x_1$ --volume of sales;  $x_2$ --above-allowance requirements of merchandise and supplies. Substituting the planned value for  $x_1$  and  $x_2$ , we get the following results (Table 5).

Table 5

Indicator	Periods of 1981 (quarters)								
	I	II	III	I	II	III	I	II	III
	"Oktvabr'" Garment Pro- duction Asso- ciation			"Vostok" Gar- ment Produc- tion Associa- tion			"Kozhgalan- teriya" Fac- tory		
Planned expenditures to pay interest:									
calculated according to the method	276	324	348	112	113	111	87	74	77
planned by the enterprises	295	334	332	52	41	47	59	59	62
Actual expenditures to pay interest	359	301	340	118	93	96	89	90	112
Difference of actual expendi- tures for interest from those planned:									
calculated	+83	-23	-8	+6	-20	-15	+2	+16	+35
planned by the enterprise	+64	-33	+8	+66	+52	+49	+30	+31	+50

\* The 1981 regression equations were calculated for the trade organizations (Table 4).

Table 6

<u>Enterprises</u>	<u>Regression Equations*</u>
"Leningrad" Universam [self-service department store]	$y = 0.0005x + 3$
"Mosgalanteriya" Trade Purchasing Depot	$y = 0.0060x - 80$

\* x--volume of commodity turnover.

Substituting for  $x_1$  the planned volume of commodity turnover, we get the following results (Table 7).

Table 7

<u>Indicator</u>	<u>Periods of 1981 (quarters)</u>							
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
	<u>"Leningrad" Universam</u>				<u>"Mosgalanteriya" Trade Purchasing Depot</u>			
Planned expenditures to pay interest:								
Calculated according to the method	6.2	6.8	6.0	4.4	53	73	63	63
Planned by the enterprises	2.0	1.0	3.0	2.0	38	42	37	40
Actual expenditures to pay interest	7.0	5.5	6.5	4.4	62	98	65	67
Departure of actual expenditures for interest from those planned:								
Calculated	+0.8	-1.3	+0.5	--	+9	+25	+2	+4
Planned by the enterprise	+5.0	+4.5	+3.5	+2.2	+24	+56	+28	+27

As in the examples examined above, the expenditures for interest planned according to the method proposed reflect more accurately the actual state of affairs than what was envisaged in the profit distribution plans of the enterprises. The departures of the actual interest paid from that calculated can be explained as follows. The "Leningrad" Universam is among the financially stable organizations, it fulfills and overfulfills the commodity turnover plan, which is one of the reasons for its saving on payment of interest to the bank. The overexpenditure of payments to the bank for the use of credit in the first and second quarters is explained by accounts receivable in respective amounts of 7,000 rubles and 10,500 rubles.

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## HOUSING AND PERSONAL SERVICES

### LATVIAN STORES CHANGE HOURS TO SUIT CUSTOMERS

Riga SOVETSKAYA LATVIYA in Russian 21 Jan 83 p 2

[Article by G. Ulmanis, chief of the production administration of the LaSSR Ministry of Consumer Services: "It Will Be More Convenient for People"]

[Text] The recently adopted decree of the USSR Council of Ministers on questions connected with putting into good order the operational schedules of enterprises, organizations, and institutions engaged in consumer services to the public has posed great and responsible tasks for us, the workers in the field of personal services. We are confronted with the task of organizing matters in the very near future so that the demands and needs of the public may be satisfied more fully and better, without detriment to the production activities of our customers and clients. We understand that our work exerts a definite influence on the status of labor discipline, labor productivity, and on people's moods.

The government's decree obligates the ispolkoms of the local Soviets of People's Deputies to re-examine the working days and hours of enterprises in the service sphere in order that they might become more convenient for working people. In order to accomplish this in the best possible manner, everything will have to be carefully thought out and weighed, taking local conditions into consideration. In our republic a decision has been taken to implement measures with regard to setting the operational schedules of the personal-service enterprises in order before 15 February.

At present, out of the total number of the open network of personal-service enterprises--clothing repair and tailoring shops, workshops, barber shops, beauty parlors, and others--approximately one-third begin serving customers at 0800 hours, more than half operate until 1900 hours or later as well as on Saturdays. But on Sundays only about 7 percent are open, mainly public bathhouses, barber shops, and beauty parlors.

Such a situation cannot fully satisfy the public. It is necessary to take a principled approach to the re-examination of the working days and hours of the open network's enterprises.

But it is not enough to establish a new work procedure. We must achieve a situation whereby it is unfailingly carried out. Unfortunately, there are known instances when the doors or display windows of enterprises have suddenly

showed announcements indicating the days and hours of operation, arbitrarily introduced by the management without securing the agreement of the higher-ranking organizations or the ispolkoms of the local Soviets. Such arbitrariness is permitted with particular frequency in rural reception centers. Some of them operate two or three days a week for three or four hours each day; this, of course, is convenient for those employed at these centers, but it has evoked serious complaints from the rural working people.

At the same time, the experience of many of our enterprises which open up early and end work late, in particular, shoe-repair shops, photography studios, shops for making knitted goods, has shown that most of the orders are received in the middle of the day, while in the mornings and the evenings the receptionist are sitting there with nothing to do.

Hence it follows that with the introduction of new operating schedules in shops, workshops, dry-cleaning establishments, and laundries, we must attain a situation whereby at industrial enterprises, institutions, and farms, there is stricter handling of those who violate the labor procedure, absenting themselves in order to solve personal problems.

The decree of the USSR Council of Ministers enjoins us to ensure the broad-based dissemination of experience in rendering personal services to workers directly at their places of employment. In our republic a number of enterprises have set aside rooms for receiving orders for individual personal services. If we speak frankly, however, they are either idle because of a lack of orders or they have been turned into trading points where the ready-made products of clothing stores are sold.

With the assistance of the enterprises' administrations and trade-union organs, we must decisively re-structure the work of such centers: strengthen their skilled receptionists, adjust the reception of individual orders for services of prime necessity: dry cleaning, laundry of underwear and linen, shoe repair, etc. It seems feasible to disseminate at enterprises service on a basis of trust--turning over orders with subsequent payment, which would allow the clients' time to be saved. Moreover, we need to practice more often trips made by the personal-service employees to major plants, construction sites, and farms to receive orders.

Together with putting in order the operational schedules of enterprises in the open network of personal services, it is also very important to strictly observe the deadlines allowed for carrying out the orders. Clients ought not to hear the unpleasant phrase: "Not yet ready." But such a thing--alas--does happen.

To be sure, the completion of orders with a violation of the stipulated deadlines comprises only 2.2 percent of the total number of services rendered. But this is more than 250,000 orders per year! That means that there are that many persons who are irritated at the personal-service field. It should not be surprising that in the Kraslavskiy, Kuldigskiy, and Orgskiy Rayons there has begun to less laundry orders, while many persons prefer the help of skilled handymen, so to speak, on the side, to the services of the "Elektron" Association.

The public is not satisfied with the presently existing organization of home repair of complicated domestic appliances, radios, and television sets. People complain that they have to wait until noon for the skilled workmen from the shop to come to their homes, and, furthermore, sometimes in vain. The complaints are fully justified, and the organization of such repair work must be improved.

Above all, we need to re-examine the working time of the skilled workmen: to introduce a unique kind of evening shift for them, to disseminate a subscriber service, and to carry out orders on the day they are received. We must seek out possibilities to furnish the shops with trucks equipped with two-way radios for effective communications between the skilled workmen and those receiving the orders. Finally, we should upgrade the workmen's skills, on which depend the productivity and quality of their labor, and, therefore, the capacity to provide service to a greater number of clients during a shift.

To value the clients' time means to execute the orders with a high level of quality, without complete re-vamping or repeated repairs. As of now, more than 20 percent of the total number of complaints consist of claims against the quality of products and services. The most frequent complaints are made about the quality of the repairs of radios, television sets, and complex home appliances. The managers of the corresponding enterprises ought to do some serious thinking about this.

An attentive, sensitive attitude toward people is required from each employee in the personal-services field. But there are still too many complaints about the low level of service standards. Moreover, as much as 40 percent consist of complaints of unworthy behavior on the part of barbers and hairdressers. Such a state of affairs cannot be tolerated.

In carrying out the decisions of the November (1982) Plenum of the CPSU CC and the recent decree of the USSR Council of Ministers, the workers in the personal-service field must, above all, put their own house in order: strengthen labor discipline, improve the quality of the services being rendered and the level of the service standards. A great deal here depends on public organizations, including the people's auditors. It is precisely the scouting-patrol units which, in the first place, can discover and achieve the elimination of shortcomings which the administration does not notice or does not want to notice--these are violations of labor discipline and the operating schedule, facts of indifference and inattentiveness to people, to their requests and wishes.

An example of a high degree of activity and readiness has been shown by the people's auditors of the "Rigas Modes" Clothing and Knitted-Goods Association. They have done a considerable amount, in particular, to reduce to a minimum violations of deadlines in carrying out orders. The people's auditors ought to be assisted in every way to assist the administration in promulgating measures on improving labor organization, as well as bringing order into operational schedules in the public interests.

The decree of the USSR Council of Ministers is now being attentively studied in our system. Practical measures are being worked out which should be implemented already in the current quarter.

## HOUSING AND PERSONAL SERVICES

### FAMILY LIFE OVERFLOWS AZERBAIJAN BARRACKS, BASEMENTS

[Editorial Report] Baku BAKINSKIY RABOCHIY in Russian 17 February 1983 carries on pages 1-3 a Bagirov speech at the Azerbaijan Central Committee Plenum on Workers' Letters. Bagirov calls attention to the severe lack of adequate housing, which necessitates families living in basements and barracks. He says, "I would like to dwell on a question which has arisen more than once; that of moving people out of barracks and basements facilities used for housing. An ever greater number of families are living in these quarters. Unfortunately, the ministries, departments and ispolkoms of the local soviets are but slowly doing this, especially in Baku, Kirovabad, Mingeaur, Neftechalinsk, Zhdanovsk, and Dashkesansk rayons. There are more than a few reasons for this, among them, "of course, the non-fulfillment of the plan for housing construction. However, the "departmental dependency" of those living in the barracks plays a role of no small consequence."

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## CONSUMPTION TRENDS AND POLICIES

### HOW TRADE BRANCHES USE FINANCIAL RESOURCES

Moscow SOVETSKAYA TORGOVLYA in Russian 24 Feb 83 p 2

[Article by V. Biryukov, chief of the Ministry of Trade Finance Administration: "Controlling the Ruble. How Effectively It Is Used by Workers in the Financial Services of the Sector"]

[Text] The complex conjuncture of trade in recent years has raised difficult problems for financial workers. Because of the slow sales of a number of commodities an adverse situation has been created with respect to plan fulfillment for retail trade turnover, and this has exerted an unfavorable effect on the financial circumstances of many trade enterprises and organizations. Considerable above-norm reserves of goods have been formed, defaults on debts to Gosbank have increased, and costs to cover interest on bank loans have grown. And as a result, one of the main indicators--the profit plan--has been unfulfilled.

Notwithstanding, where planning and economic and financial work is being done purposefully and skillfully, a definite trend toward reducing unproductive costs and losses can be seen. Within the system of the Ukrainian SSR Ministry of Trade, for example, in 1982 the profit plan was fulfilled 100.6 percent. At the same time, enterprises of the Armenian SSR Ministry of Trade fulfilled the profit plan only 87.4 percent, and the figure for the Azerbaijan SSR Ministry of Trade was 89.8 percent.

If we analyze fulfillment of this indicator for kinds of activity for the first 9 months of 1982, the following picture emerges. For retail trade, profit throughout the entire system of the USSR Ministry of Trade was fulfilled 95.8 percent, and for public catering 97.9 percent. This situation adversely affected profitability. Throughout the system as a whole, profitability in retail trade in 1982 was 2.65 percent, a drop of 0.32 percent against the previous year. For public catering, the fluctuation was even greater at 1.14 percent of turnover.

Here, note should be made of the sharp fluctuation in the level of profitability in some of the republics, compared with others. Thus, for the Georgian SSR Ministry of Trade these indicators were 2.5 times lower than for the Ministry of Trade in the Lithuanian SSR. The same sharp fluctuation are observed

within the trade systems of the union republics. For the last 3 years, in the Armenian SSR from 12.2 to 21 percent of enterprises have been operating at a loss. The situation is the same in the Turkmen SSR.

As has already been said, stepped-up work in fulfillment of the trade turnover plan adversely affects the results of economic activity. However, in these conditions much can be done by paying more constant attention to financial work. For example, according to the figures for the first 9 months of last year, the Estonian SSR and Kirghiz SSR ministries of trade operated without a single enterprise working at a loss, and the ministries of trade in the Belorussian SSR and the Uzbek SSR had only 0.4 to 0.8 percent of such enterprises.

The situation cannot be considered normal when in the union republics for a number of years there has been no decrease in the number of trade enterprises that systematically fail to fulfill their established profit plans. Whereas, as a whole for the USSR Ministry of Trade system the proportion of these enterprises makes up 25 percent (and this is a very high level), for the first 9 months of 1982 in the Azerbaijan SSR Ministry of Trade they comprised 33.7 percent; corresponding figures for the trade ministries in the Tajik SSR and the Turkmen SSR were 45.5 and 49.5 percent respectively.

Comparison of numeric characteristics that say so much, leads us to certain conclusions. Nonplanned losses are in part the result of an irresponsible attitude on the part of officials toward insuring the safekeeping of state values, weak trade, commercial and claims work, and serious omissions in bookkeeping and monitoring and inspection work.

For example, year after year commodity losses are reduced, but at the same time we observe a marked increase in loss increases through write-offs of the results of economic activity, various kinds of debts, shortfalls, debited liabilities and so forth. In the first 9 months of 1982 alone, the growth in such losses countrywide was 10 percent higher than in the corresponding period for the previous year. And for the Armenian SSR Ministry of Trade the size of these losses almost doubled, while the increases for the Kazakh SSR were 30 percent, and for the RSFSR, 20 percent. And in all, the balance in the USSR Ministry of Trade system calculated at 1 October 1982 for write-offs of substandard and spoilt goods was R16.2 million. This was almost double the figure for the corresponding period in the previous year.

The financial services must examine in detail the reasons for this situation at each trade organization and enterprise, and draw up specific measures aimed at raising the qualitative level of management. An analysis of accounting data and check materials shows that locally there are considerable reserves for reducing nonplanned losses and turnover costs. They include enhancing responsibility for the quality acceptance of incoming goods, improving storage and marketing conditions for foodstuffs and industrial goods, improving and activating trade and commercial activities, and making more detailed studies of consumer demand under the conditions of the prevailing situation.

Defects in the planning of turnover costs cause definite harm to enterprises' financial situation. Now, in accordance with the existing procedure for

planning, all enterprises and organizations operating with full and internal cost accounting plan their turnover costs independently, both as a whole and by articles. It would seem that this practice would promote enhanced responsibility for enterprise and organization managers for the correctness and economic justification of expenditures. In practice, however, the right to draw up cost estimates independently is not always being used rationally, and planning is done without adequate economic analysis. This in no way mobilizes the worker collectives to use funds economically. At the same time, because of the scant attention given to this question by the union republic ministries of trade and the administrations for trade and public catering, plans for turnover costs are established by individual organizations without consideration of the actual level achievable and the targets for reducing costs. None of this promotes the rational expenditure of funds or observance of the regime of thrift.

Reserves for saving state funds and increasing profitability in trade are also available through improving accounting and payment discipline. In this connection note must be made of the serious situation that has developed in many trade organizations as a result of the slowdown in the sale of a whole series of industrial goods. This in turn has exerted an adverse effect on the financial status of these organizations.

Commodity stores have increased several times over compared with the corresponding period in 1981, and defaults on Gosbanks loans have increased; as is known, such debts attract a higher rate of interest. Defaults have increased particularly in the ministries of trade in the Tajik SSR, the Moldavian SSR, the Latvian SSR and the Azerbaijan SSR. The fault here lies with the financial services, which are not showing the necessary persistence or striving to achieve a situation in which the republic Gosbank offices are not hampered in making loans, including for temporary needs. It is also important to insure that trade organizations do not permit delays in their accounts, and that circulating capital is not used irregularly to service loans.

It is necessary to give serious attention to the so-called residual fines, which include sums levied for breakdowns in all kinds of transportation and late deliveries of freight, and to the penalties imposed for default payments of accounts and other violations. The total of these sums is not small: for the first 9 months of 1982 alone it amounted to R30 million.

As in other spheres of management, in financial matters comprehensive measures provide the greatest effect. And it is essential first and foremost to make more skillful use of economic incentives, develop and strengthen economic calculations in every possible way, and focus the creative energy of the workers on the search for and maximum use of internal economic reserves.

## CONSUMPTION TRENDS AND POLICIES

### BALANCING SUPPLY, DEMAND IN CONSUMER GOODS SECTOR

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 2, Feb 83 pp 16-25

[Article\* by M. Darbinyan, department chief of USSR Gosplan]

[Text] Recent years have been characterized by a further development of retail sales. They increased 1.8-fold between 1971 and 1981. Their structure improved: the share of nonfood commodities rose from 45 to 50 percent, and there was a considerable growth of sales of products of light industry, durable consumer goods and housewares.

Between 1982 and 1983 the volume of retail sales rose 5.4 percent and stood at 314.6 billion rubles.

Yet the proper correspondence has not yet been achieved between supply and demand; cases of interruption in the sale of certain commodities are not as yet uncommon. At the same time the trade sector has almost constantly had above-allocation stocks of commodities (in the sum total of 2.2 billion rubles at the beginning of 1982) as well as a large number of products (worth approximately 2-4 billion rubles) which could be sold only after considerable (50-60 percent) price reduction.

Rapid growth rates of the production of consumer goods are above all necessary to improving the balance between supply and demand.

Yu. V. Andropov, general secretary of the CPSU Central Committee, said at the November (1982) Plenum of the CPSU Central Committee: "Much attention is being paid in the plan for 1983 to increasing the production and improving the quality of consumer goods.... The task is not only to augment output, but also to considerably raise the quality of consumer goods. This applies not only to light industry and local industry, but also to enterprises in heavy industry and the defense industry."<sup>1</sup> It is a question of a substantial and rapid growth of production of consumer goods (of Group B) and of changing their relationship to the output of means of production (of Group A). Recent years have been characterized by an ever greater convergence of their growth rates. But this has proven to be insufficient from the standpoint of

\* Published for purposes of discussion.

1 PRAVDA, 23 November 1982.

eliminating the shortage. The task comes down to planning faster rates of development of Group B.

There have been such periods in our economy's development. Faster growth rates of the industry of Group B were adopted for the second 5-year plan: 234 percent as against 197 percent for Group A.<sup>1</sup> For a number of reasons they were not achieved, but still the rates of development of Groups A and B converged considerably. The factor by which the growth of Group A exceeded that of Group B was 1.29, as against 2.42 in the 1st Five-Year Plan. A faster growth rate of Group B was also envisaged for the 9th Five-Year Plan. This factor was planned at the level of 0.94, but it was actually 1.21. In the 10th Five-Year Plan, though on the whole faster growth rates were not planned for Group B as compared to Group A, envisaged their ever greater convergence in annual plans. Whereas in 1975 the factor by which the growth of Group A actually exceeded that of Group B was 1.22; for 1979 it was planned at 1.07, and for 1980 at 1.00. Even higher growth rates of the production of products of Group B by comparison with Group A were envisaged for the 11th Five-Year Plan. And in certain annual plans (1968-1972 and 1980-1983) the rates of development of Group B were planned higher than or equal to those of Group A, while in 1953, 1968-1970, and 1981 the actual growth indices of Group B did exceed those of Group A.

The measures adopted have been unable to bring about an abrupt change in the conditions on the market--the growth of production does not afford the necessary surplus of supply over demand, nor in a number of cases elimination of the shortage.

Faster development of Group B presupposes above all corresponding development of plant and equipment. It has been noted in party documents that one cannot hope for stable growth of Group B and for improved quality of goods and services unless the advances of contemporary science and design are introduced into this sphere not without a bolstering of the technical capability of light industry, the food industry, the trade sector and the consumer service sector. Yet this necessitates structural changes above all within Group A itself--predominant growth, though within the limits of a definite period, of the production of means of production for the second department of social production--light industry, the food industry, the meat and dairy industry, and other sectors involved in the production of Group B.

Yet in the 9th Five-Year Plan the production of means of production for the first department of social production rose 46 percent, for the second department 44 percent; in the 9th the respective figures were 27 and 22 percent. Whereas over the 1970-1981 period the growth rate of fixed industrial productive capital increased 232 percent in the industrial sector as a whole, the growth in light industry was 211, in the food industry 198; the corresponding figures for labor productivity (per worker) were 161, 143 and 133 percent.

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1 "Vtoroy dvatiletniy plan razvitiya narodnogo khozyaystva SSSR (1933-1937 gg.)" [Second Five-Year Plan for Development of the USSR National Economy 1933-1937], Vol. 1, Moscow, Izd-vo Gosplana SSSR, 1934, p. 13.

Shifts and prospects in development can also be judged on the basis of changes in the structure of capital investments in the industrial sector. If the 10th Five-Year Plan is compared to the 8th, these investments rose 83.3 percent as a whole, 60.5 percent in light industry and 43.9 percent in the food industry. As we see, none of these indicators give evidence of substantial structural changes to the advantage of Group B in the very near future unless appropriate measures are taken.

We should note that shortages occur more frequently for goods in volume demand. It not uncommonly results not only (or not even so much) from the inadequacy of production or its reduction but from the fact that the prices for many of these goods at the present level of money income are having a weak impact on the demand of the public and are not acting to restrict purchases of them in economically unjustified and excessively large proportions. There is a need, then, for constant educational work with the public and for a set of measures to strengthen the impact of ethical standards, public opinion, morality and consciousness aimed at limiting the quantities of goods acquired to proportions which are reasonable from society's point of view. More extensive practice should be made of having public organizations monitor the sale of scarce goods within work collectives themselves and of improving and perfecting those sales. Thereby to achieve distribution of material and nonmaterial goods according to the quantity and quality of labor under the supervision of society, the collective and public organizations.

Another very important peculiarity of a shortage is that interruptions in the sale of goods that have begun in one place spread quickly to other regions and cities and in a number of cases take on widespread proportions. The reason for this is not only that the country's market is unified (supply and demand), and that the population is highly "mobile," but also that the market mechanism is restricted somewhat in its abilities to carry out maneuvers with commodity resources, moving them from one region to another in the country and from one union republic to another.

The trade sector as a whole, and especially wholesale trade, which is "fragmented" among 15 republic offices which are organizationally and economically separate, does not possess such capabilities. The efforts of the USSR Ministry of Trade to use the planning mechanism for distribution of commodity resources among republics often "have not worked" because of the manifest complexity of these plans--the large list of products, the multitude of suppliers and receivers of goods, as well as a certain "inertia" of this system, the difficulty of redistributing resources "on the run" in accordance with constantly changing demand.

All of these shortcomings are manifested in the nonoptimal location of inventories in a regional breakdown (by union republics and oblasts) and in a breakdown among trade systems and organizations. For instance, at the beginning of 1982 in 9 union republics there were above-allowance inventories, including 3 (UzSSR, GSSR and AzSSR) in which they exceeded the allowance by 10 sales days or more. In two republics (KaSSR and LiSSR) they were 3-4 days below the allowance. Still greater nonoptimality in the location of inventories is noted with respect to individual commodities. The status of merchandise inventories

and their nonoptimal location are making it difficult to balance supply and demand. And this is usually the consequence of shortcomings in planning work and in day-to-day commercial operations.

To some extent the rapid spread of a shortage through the country is even promoted by certain publications about this which have not always been sufficiently thought through or substantiated, which were not properly aimed, and which for a time brought about an increased "interest" of the public in certain goods. As a consequence certain random interruptions which were local in nature have taken on broader proportions. The relationship between supply and demand is the form of the connection between production and needs. Its character--the purposes, mechanism and means of achieving their correspondence--is determined by economic laws. In a socialist society it is subject to the basic law of socialism, to the law of planned proportional development, and to the entire system of economic laws.

The law of planned proportional development, expressing as it does the objective need for economic planning, for maintaining proportionality in the national economy in accordance with the needs of society--as a whole and in detail, by components, among production sectors and within each sector, and in a regional breakdown--requires proportionality and correspondence in the sphere of the distribution of commodities as well, in the trade sector, and that also means correspondence between supply and demand. The latter figures as the most important aspect of that law.

Public ownership of the means of production, a planned economy, socialist methods of conducting business, and the monopoly of foreign trade create the objective conditions for establishing, maintaining and regulating the basic elements (factors) that guarantee correspondence: planning the production of commodities, their export and import, personal money income and expenditures, and also the planned setting of prices, use of the system of incentives to increase production and sale of goods which are necessary from the standpoint of society, purposive shaping of needs and demand, the use of capital investments in the promising sectors of the economy, and so on.

In principle the organization of the socialist mode of production is incompatible with a shortage of goods, precludes it, and furnishes the prerequisites (capabilities) for balancing supply and demand even within the production stage, in the stage of planning it by all its elements--raw materials, supplies, labor, physical and financial resources, production capacities, etc.

Commodity-money relations, which have subordinate importance, figure as an additional check on this correspondence in the context of the distribution of goods. Here the correspondence between supply and demand is the normal objective process, and as a rule shortcomings in it have a subjective basis and are random. The imbalance between supply and demand which is manifested in a number of cases and the consequent shortage of goods have resulted from certain shortcomings in the performance of specific management and planning agencies and units, and of organizations or enterprises, within the economic mechanism itself.

The goal of socialist production is to satisfy the needs and not only the demand of the population. Given the limited nature of production at any particular moment of its development and the faster growth of needs, not all of them can be satisfied at once. Assuring balance between supply and demand depends upon limiting the satisfaction of needs in the planning stage to the capabilities of constantly developing production. The means for accomplishing this limitation is the system for planning personal money income and the planned setting of prices; the result is that the volume of consumption is determined not by the needs, nor by the demand of the public (that portion of needs backed up with money), but essentially by the capabilities of production.

Large adverse consequences are related to the failure to fully honor the important principle of the necessity of establishing personal money income in strict accordance with the capabilities for the production of goods. This makes planning agencies more accountable at all levels for the economic soundness of production plans, personal money income, and prices, for the correspondence between supply and demand.

With respect to the quantitative relationship the correspondence between supply and demand signifies balance and internal consistency in development and dynamic proportionality, guaranteeing high growth rates of production, a rise of production efficiency, fuller satisfaction of the growing needs of the public, unhindered realization of personal money income and also of goods at minimum cost of production and distribution.

If this is to be ensured, the growth rates of supply have to exceed those of demand, since the development of production and advancement of needs, the rising prosperity of the population, exactingness as to the assortment and quality of goods, the importance of obsolescence, fashion and certain other factors intensify the changes which demand undergoes. Demand can be satisfied, especially at moments when it is rising sharply ("splashes"), only if the average volume of supply are greater, and that means that its growth rates must be higher than those of demand.

This is not a temporary tactic resulting from the shortage of goods that has occurred, but a development strategy, a general principle. This positive difference must be optimal in view of the minimum necessary growth in the volume of stock, which depends upon the development of production and consumption, satisfaction of "splashes" of demand, which will be increasingly sizable, taking into account creation of emergency stocks against the case of extraordinary circumstances, to reimburse losses, and so on.

In practice supply does not always exceed demand and the optimum proportions between them are not always maintained. This can be evaluated in the simplest form by comparing the growth rates of personal money income (by principal sources--the wage fund, remuneration of the labor of kolkhoz members, payments and benefits from social consumption funds) with the growth of the volume of production of consumer goods (Group B) and the rise of labor productivity (see the table).

Growth of the Population, the Production of Consumer Goods, Personal Money Income From Principal Sources, and Sales of Goods, in percentage

Indicator	1975/ 1970	Relative to 1975				1981/ 1980
		1977	1978	1979	1980	
Population	4.8	1.8	2.7	3.6	4.4	0.8
Productivity of social labor	25.0	8.0	12.0	14.0	17.0	2.5
Industrial output--total	43.0	11.0	16.0	20.0	24.0	3.4
Means of production alone	46.0	12.0	17.0	21.0	26.0	3.3
Consumer goods alone	37.0	8.0	13.0	17.0	21.0	3.5
Wage fund in the national economy	35.0	11.0	17.0	21.0	28.0	3.6
Average money wage of workers and employees	20.0	6.0	10.0	12.0	16.0	2.1
Remuneration of the labor of kolkhoz members in the socialized farming operation of kolkhozes	23.0	15.0	19.0	24.0	29.0	4.0
Payments and benefits individuals receive from social consumption funds	41.0	11.0	17.0	22.0	30.0	4.2
Real per capita income	24.0	7.0	10.0	14.0	18.0	3.3
Retail sales of goods of state and cooperative trade	36.0	9.0	14.0	18.0	24.0	4.3

Note: Compiled from data in the following sources: "Narodnoye khozyaystvo SSSR v 1980 g." [USSR National Economy in 1980], Moscow, Statistika, 1981, pp 43, 44; "Narodnoye khozyaystvo SSSR 1922-1982 gg.," Moscow, Statistika, 1982, pp 9, 60-65.

As we see, the growth rates of personal money income in the 10th Five-Year Plan regularly exceeded the rise of labor productivity and the production of consumer goods. In the 9th Five-Year Plan this relationship assumed a somewhat better shape. On the whole the ever increasing personal money income was not covered by resources of consumer goods, and to a considerable extent this explains the shortage of goods in recent years. According to an assessment of specialists of the Central Mathematical Economics Institute of the USSR Academy of Sciences and the All-Union Scientific Research Institute of Consumer Demand and Market Conditions of USSR Ministry of Trade, the annual growth of unsatisfied demand in 1978-1979 was 9-11 billion rubles, and by the beginning of 1980 it was estimated at 28-30 billion rubles for the total commodity aggregate.

The balance between supply and demand, precluding the possibility of a shortage, must, of course, be guaranteed above all in the stage of the drafting and approval of plans as a most important condition for the realism of plans and for enhancing their mobilizing role. It was noted at the 26th CPSU Congress that the time has come to stiffen requirements both as to planning discipline

and also as to the quality of the plans themselves. The plan must unconditionally be realistic and balanced.<sup>1</sup>

It is not uncommon for textbooks and instructions on methods to recommend that plans of retail commodity sales be based on the money which individuals have to buy things, and only in passing is the instruction given "to take commodity resources into account." It is proposed that the level of retail commodity sales be set on the basis of the purchasing funds of individuals, which are computed "by subtracting" from the sum total of personal money income (which is in turn "taken on the basis of the planned volume of money income") compulsory payments, voluntary contributions, the growth of deposits in savings banks and certain other less important outlays, and also by deducting personal expenditures to pay for services, i.e., it is essentially based on personal money income.

In our view the balance between supply and demand requires that correspondence be ensured among three planning indicators: commodity resources (stocks), purchasing funds and the plan for retail commodity sales. As a rule they do not correspond in the first stages of drafting plans, and indeed they cannot correspond to one another. They have to be brought into correspondence through successive iterative convergence, which requires the establishment of priorities.

The correspondence between supply and demand reflects the relationship between needs and production. The latter determines requirements and consumption. Under the conditions of commodity-money relations production is represented on the market by the supply of commodities, but in the drafting of plans it is represented by commodity resources. Needs are represented on the market by demand, but in the drafting of plans they are determined quantitatively by purchasing funds.

Under these conditions consumption over a sufficiently lengthy period can be assessed from the volume of possible commodity sales, i.e., the plan for retail commodity sales.

Thus under the conditions of commodity-money relations production, needs and consumption are represented in the drafting of plans by commodity resources, by purchasing funds and by the plan for retail commodity sales. Based on the primacy of production, priority here goes to commodity resources, which also signifies their leading role in guaranteeing correspondence between supply and demand and in eliminating scarcity. Consequently, the plan for retail commodity sales must proceed from commodity resources, representing production on the market. Personal purchasing funds, through the mechanism of the planning of money income, must also ultimately originate in production, must reflect the actual contribution workers make to social production, and must correspond to the volume of newly added material and nonmaterial values, including consumer goods sold through the market.

1 "Materialy XXVI s"vezda KPSS" [Materials of the 26th CPSU Congress], Moscow, Politizdat, 1981, p. 50.

2 We are omitting here to take into account the small-scale wholesale sector, since it has no bearing on the problem under consideration.

The correspondence of the retail commodity sales plan and personal purchasing funds, each of them separately, to production (commodity resources) thereby also ensures their mutual correspondence, and consequently the correspondence between supply and demand, balance between them. It also follows that in planning personal money income and the rising level of wages the point of departure should be the commodity resources available or anticipated. And the growth of income must be planned strictly within possibilities of augmenting them.

The other approach, i.e., planning retail commodity sales in accordance with purchasing funds but without rigid linkage to commodity resources, signifies, especially in calculations pertaining to the country as a whole, not only that retail commodity sales plans are unrealistic (that is not so terrible), but a softening of the purchasing power of the money, a worsening of the circulation of money, and the planning of an unrealistic rise of real income, which is unacceptable for the practice of socialist planning. As noted at the 25th CPSU Congress, "in and of itself a rise of money income still does not signify a real rise in the level of living."<sup>1</sup>

The lack of correspondence between demand and supply has been the consequence not only of an inadequate growth of production, but also of the fact that until recently there has not been the requisite monitoring of the expenditure of the wage fund and that it and personal money income as a whole have had weak linkage to the volume of consumer goods for sale.

Planning agencies and ministries and departments need to take effective measures in this connection to bring these rates closer together on the basis of an all-out growth of production of consumer goods and the volume of resources of commodities intended for the trade sector, and equally to achieve alignment of the growth of personal income with the growth of production of consumer goods. That is why particular attention should be paid to the organization of work at enterprises, to the setting of work quotas, to the system of remuneration, and to other factors that exert a considerable influence on the size of bonuses and other rewards, which to no small degree also determine the growth of real personal income. This growth of income, whose purpose is to stimulate the growth of production and the rise of labor productivity, is not always linked as it should be to the growth of production of goods destined for the trade sector.

Planning targets for the total volume of production of consumer goods per ruble of the wage fund, which is beginning in 1983, is an important step in guaranteeing linkage between wage funds and the volume of output of consumer goods, in enhancing the role and accountability of councils of ministers of union republics, local government authorities, and ministries and departments for satisfying the demand of the public for goods and for ensuring balance between personal money income and personal expenditures in a regional breakdown.

This disproportion between the growth of real personal income (demand) and the production of consumer goods (supply) is not manifested solely in the aggregate. Along with the sizable growth of production of consumer goods, products

1 "Materialy XXV s"yezda KPSS," Moscow, Politizdat, 1978, p 54.

of light industry, and especially durable consumer goods and housewares, it is also noted with respect to individual commodities, including those for which there is a volume demand.

In the 9th and 10th Five-Year Plans and in 1981 the growth of income as a rule exceeded the growth of resources (sum total of production and the net result between imports and exports) for a number of volume demand goods in physical terms--meat and meat products, milk and dairy products, butter, fabrics, leather and rubber footwear, etc.

It should be borne in mind that in this period income increased mainly for those population groups with an average and below-average level of income. Such a situation for these commodities signifies that the volume of their possible sales (demand) increases in accordance with the growth of income, since the growth of income of this group is usually aimed first of all precisely at acquiring such goods. Such relations between supply and demand taking shape with respect to particular commodities make the scarcity worse and to a certain extent are related to shortcomings in the economic mechanism of interrelations between the trade sector and industry and to planning practice.

It is not uncommon for scarcity to occur following "normalization" of the consumer goods market. A growth of production brings about expansion of the assortment of goods, an increase in the quantities sold, and a higher level of exactingness on the part of the trade sector toward industry with respect to increasing the output of goods, improving the assortment, improving quality, putting new products into production, including fundamentally new products, delivering them on time, and so on. It would seem that in the context of changing market conditions and saturation of the commodity market that the sectors of industry and trade, proceeding from the goal of socialist production, which is ever fuller satisfaction of the needs of the population, ought to direct their efforts toward solving these problems, which arise out of operation under the new conditions. But the existing economic mechanism of interrelationships between enterprises and organizations in the sectors of trade and industry does not sufficiently stimulate this.

For the trade sector increased sales of goods and expansion of the assortment make it more complicated to study the demand of the public and the system of commodity supply, and they necessitate an increase in the volume and level of inventories, expansion of the trade network, larger warehouse capacity and improvement of advertising. Seasonal fluctuations in commodity sales are also intensified, whereas scarce goods are sold at any time of the year.

All of this makes the work of organizations in the trade sector more difficult and necessitates higher skills on the part of personnel. Not uncommonly the staff of the trade sector proves not to be prepared for this kind of work and does not have the economic motivation, since the transition to the new conditions brings about a growth of expenditures for wages, advertising, commodity supply, storage, rent on new warehouse space, and so on. There is a need for more funds for discounts and additional capital investments, which are limited.

From the standpoint of the industrial sector meeting these new requirements also involves additional capital investments and production costs, as well as a certain risk, since the outlays may not bring a return and may prove to be inefficient. All of this ultimately results in a drop in the level of profit and deterioration of the economic indicators of organizations and enterprises in the sectors of industry and trade.

Not uncommonly the interests of industry and trade coincide under these conditions, and they simultaneously come forth with proposals for cutting back production plans. Or, in the more usual case, the trade sector, refusing to purchase styles and makes of goods for which there is no demand, at the same time reduces the total size of its order. Industry cuts back the volume of production to that extent. From the standpoint of the improvement of needs and the task of ever fuller satisfaction of needs it ought to be primarily a question of producing goods which are in demand instead of those which are not.

Further, the economic performance of enterprises in the sectors of industry and of the respective ministers is evaluated without taking into account the indicators of the growth of production of goods the population needs and the level of satisfaction of demand, of needs. This affords industrial enterprises the possibility of cutting back the volume of production, even if this causes complications in market conditions, which can hardly be regarded as normal. For instance, for 4 years (1979-1983) the requests of the USSR Ministry of Trade for electric razors were at the same level--12 million razors. Production went to 9-10 million. At the wholesale fair for the sale of goods for 1983 organizations from the trade sector refused almost entirely to purchase "Druzhba," "Chayka," "Neva" and "Mikma" electric razors. The trade minister sharply reduced its total request--to 8 million razors, and the production plan was dropped to 7.9 million, i.e., to the level of the requests. The refusal to purchase these models of electric razors because of their low quality and failure to meet present-day requirements, is in our view what should happen. But the sharp reduction of the total volume of requests (33 percent) cannot be regarded as normal. This indicates the poor study of public demand in the trade sector, which resulted in a reduction of capacities for production of razors in the amount of about 2 million razors per year (20 percent of the total volume), which means that it also brought about certain losses. Even if one assumes an ever greater adequacy of supply of electric razors to the public, which has occurred (80 razors per 100 families in 1982 as against the standard of 90), the requests should have been reduced in previous years. This would have averted the ineffective outlays to augment capacity. At the same time we note the shortage of up-to-date gift-packaged electric razors that meet the best world standards. The small quantity of such products which are imported are sold quickly in spite of the higher prices.

Under these conditions an artificial reduction of requests to the level of the supply and adjustment of production plans to the requests creates the appearance of full satisfaction of needs, which usually suits both trade and industry, reduces the incentive to improve production and to bring out new products. Opportunities for a growth of demand, especially demand to replace the products which the public already has, are reduced.

This system of product requests and sales at wholesale fairs and this system of planning are not achieving the goal of socialist production, which is ever fuller satisfaction of growing needs, nor does it eliminate the possibility of future scarcity.

Approximately the same thing is happening to pocket cigarette lighters. The request of USSR Mintorg [Ministry of Trade] increased from 11 to 12.5 million between 1978 and 1983, while production increased from 8.0 to 8.9 million in 1982. At the wholesale fair for sale of goods for 1983 7.7 million lighters were purchased. USSR Mintorg sharply reduced the request to 10.0 million. The production plan was dropped back to 7.6 million. At the same time there are no up-to-date lighters on sale, especially nonreusable, piezoelectric and electric lighters, souvenir lighters, and so on. Nor are these isolated cases.

These directions and tendencies are not always opposed as they should be by planning agencies, including central planning agencies. As a result in a number of cases proposals of industrial enterprises to cut back on production plans are accepted, or indeed in the drafting of annual plans on the basis of requests of the trade sector incomplete use of production capacities is envisaged, which if it does not reduce the volume of production, does reduce the rate of its growth.

Prices are one of the means of balancing supply and demand. But we should not exaggerate their importance and capabilities. This is not always acceptable to our state, which is guided in its economic policy by the basic law of socialism, by the task of ever fuller satisfaction of the needs of the people and of raising the standard of living, and by forecasts of the social consequences of price changes. With respect to a number of commodities, especially necessities--meat, milk, butter, vegetable oil and certain others for which the demand is not satisfied, a socialist state cannot undertake to balance supply and demand "at any price."

At the same time the relationship between supply and demand, of course, needs to be taken into account product by product when prices are being set. To be specific, this applies to goods which are interchangeable or which do not have denisive importance to consumption, products whose sale is subject to seasonal fluctuations, which depend on the weather or are affected by fashion and other temporary factors.

The experience that does exist in this respect deserves in our opinion serious study and application. Beginning in 1976 the system of temporary retail and wholesale prices and also temporary surcharges applied to the permanent prices and credited to manufacturing enterprises was adopted in order to enhance the motivation of production associations and enterprises to manufacture new consumer goods, goods of improved quality, originality in styles, design and packaging, and to update the assortment.

Yet even though more than 5 years have passed since those prices were adopted, the share of goods sold at the higher prices (including the surcharges) is not very great compared to total resources. These products pass unnoticed in the

total mass of goods, they are scattered over a multitude of stores, they do not affect the state of the market, and the benefit from adopting the temporary prices (surcharges) has proven to be less than anticipated.

Negotiated prices on the first experimental lots of goods and especially fashionable products and differentiated trade discounts were recently introduced in order to stimulate the production of new commodities. These prices are to be provided for in delivery contracts. In practice this system of prices has not yet become particularly widespread. Yet in certain socialist countries, Hungary in particular, as much as 40 percent of commodity resources are sold at negotiated prices.

There are a multitude of obstacles to the use of such prices. The amount of additional profit of production enterprises resulting from adoption of these prices is not large enough. Trade organizations are altogether deprived of additional income, yet the additional costs of distribution--for advertising, better service, packaging, additional services and so on--are obvious. The paper work and registration of the contract prices have been made unjustifiably complicated.

In our view it would also be advisable to establish a straightforward list of products on a scientific basis for which prices may be changed, along with the limits of those changes. Proposals for higher prices necessitate particular caution, sound calculations and forecasts. It is necessary in this connection to guarantee use of the price mechanism as a most important interest in a socialist economy for the state's planned growth of production and consumption of certain goods (books, children's goods, etc.) and reduction of others (alcohol, tobacco, and so on). But raising prices does not greatly stimulate the development of production under the present system of profit distribution. But it must not lower the growth rates of the output of consumer goods which meet the needs of society until the latter are fully satisfied. Only goods whose reduced production is in the interest of society represent an exception.

When prices are changed, forecasts of the social consequences of these changes must be the point of departure--expansion or reduction of the number of customers, inclusion or exclusion from them of a number of particular groups or segments of the population defined in terms of income or social welfare, the influence of these changes on the improved prosperity of the population, on production, and on labor productivity. Thus under the conditions of socialist production the objective prerequisites and possibilities for correspondence between supply and demand, for a trade sector free of shortages, are taking shape. Realizing those opportunities requires a set of interrelated measures, including planning and organizational measures. And there is a need above all to increase responsibility for performance of that effort.

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## CONSUMPTION TRENDS AND POLICIES

### RELATIONSHIPS OF SUPPLY, DEMAND DISCREPANCY

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[Article by A. Orlov, director of the All-Union Scientific Research Institute of Consumer Demand and Market Conditions and doctor of economics, and A. Pern, sector chief and candidate of economic sciences, Moscow; "The Growth of Material Well-Being and the Problems of Demand"]

[Text] The CPSU Central Committee decree concerning the 60th anniversary of the formation of the USSR notes that during these years mature socialist societal relations have been established; and the problem of equalizing the levels of economic development in the various Soviet republics has been solved in large measure. Those republics which previously belonged to backward national districts have developed with particular speed.

In the years 1970-1980 the national income increased 1.6-fold in the country as a whole; but in the Uzbek SSR it increased 1.8-fold, in the Georgian SSR 1.9-fold, in the Azerbaijan SSR 2-fold, and in the Armenian SSR 2.1-fold. High rates of growth (in comparison with the national rate of 1.6-fold) have also developed in these union republics for the production of consumer goods (Group "B"); in the Kirghiz SSR they amounted to 1.7-fold, in the Turkmenian SSR the rate was 1.8-fold, in the Tajik and Georgian republics it was 1.9-fold, in the Uzbek and Armenian it was 2.2-fold and in the Azerbaijan SSR it was 2.4-fold.

The 26th party congress confirmed and continued the policy of consistent improvement in the standard of living of the Soviet people. This policy corresponds to the highest goal of the party's economic strategy, and it is a long-range policy. The achievements in the development of the socialist society and economy are indisputable. But the results could be even more weighty if there were fuller utilization of reserves, if all available resources were brought into circulation with more energy, and if the struggle against inadequacies and losses were conducted more persistently. In recent years difficulties have arisen with regard to providing the population with certain food and industrial items. For this reason the 26th CPSU Congress decided that fuller satisfaction of consumer demand by the public should be considered a top-priority task. Toward this end the Communist Party and the Soviet government have placed high importance on the realization of the comprehensive Food Program, the accelerated development of industries,

in Group B and more active participation in heavy industry in expanding the output of goods for cultural-domestic activities and for everyday use around the house.

The dynamics of supply and demand are influenced by production, the population's monetary income, prices, resources and the level of material benefits consumption which has been achieved, as well as by a number of other factors. The priorities and inter-relations among these factors have fundamental significance for the creation of conditions which make it possible to implement in practice that which constitutes the very essence of a planned economy--the link between supply and demand. To achieve this balance with the development and fulfillment of the plans for economic and social development is very difficult because many subjective factors, as well as objective ones, must be taken into account.

To a certain degree the development of production creates the conditions for the satisfaction of needs and demand. But these material conditions may remain unrealized to the fullest degree, if the necessary proportion is not maintained between the growth of the public's monetary income and the production of consumer goods. For example, from 1960 through 1980 the growth of the public's monetary income (without taxes) grew several times more rapidly than did the production of consumer goods in the country as a whole. This lack of correspondence also manifested itself in a regional context. For example, the production of Group B consumer goods increased 158 percent in the RSFSR in the years 1971-1980; it increased 159 percent in the Ukraine, it increased 150 percent in the Latvian SSR, while the wage fund for blue- and white-collar workers increased respectively by 170, 160 and 147 percent.

In the years 1970-1980 the level of wages in industry increased by 16 percent, while labor productivity increased 17 percent; wages for the labor of collective farmers increased 24 percent, while labor productivity in agriculture increased 17 percent.

The inadequate growth rate of the Group B industries, especially light industry and the food industry, in comparison with the increase in the public's monetary income is related not only to difficulties in agriculture (although this was a considerable contributing factor), but also to the insufficient mobilization of capital investment. In the 9th and 10th five-year plans the growth of Group B industrial output did not meet the requirements, nor did it correspond proportionately to that of Group A. Furthermore, it is well known that a stable rate of development in the Group A industries and increases in labor productivity depend largely on the availability and quality of food products, clothing, furniture, products to meet living needs, housing, services, etc. These conditions are being created in agriculture, in Group B industries and in those sectors of Group A which produce goods for cultural-domestic and household use. A significant role is played by trade, public catering and other branches of the service sphere. In essence, the distribution concerns the realization of the results of production.

For extended periods of time, from 1950 through 1980 for example, there was a steady lag in the development of production of consumer goods (subdivision II of public production) in comparison with production of the means of production (subdivision I). This has been characteristic of production in general and for the relation of Group A to Group B industries. For example, in 1961-1965 Group B lagged behind Group A in the rate of increase by nearly 1.5-fold, in 1971-1975 the lag was 1.2-fold and in 1976-1980 it was approximately 1.2-fold. The particular socio-economic significance of these proportions requires comprehensive and thorough analysis.

Improving the proportions in the development of subdivisions I and II of public production and of the A and B industrial groups, as was specified by the 11th Five-Year Plan, is one of the essential preconditions for creating the material conditions for the growth of the people's well-being, and for the fuller satisfaction of the public's demands.

State and cooperative trade plays a deciding role in providing for personal consumption. The proportion of retail commodity turnover of state and cooperative trade, as well as in the kolkhoz market, in the total of personal consumption shows a steady upward trend. In 1965 it amounted to 86.8 percent; in 1970 it was 89.4 percent, in 1975 it was 92.9 percent and in 1980 it was about 95 percent.

The structure of retail commodity turnover exerts a significant influence on personal consumption. It is characterized by a steady reduction in the proportion of food items: it declined an average of 0.4 percent in the 8th and 9th Five-Year Plans and by 0.6 percent in the 10th. This was to some degree a reflection of a certain slowing down in the process of consumption rationalization: the consumption of meat and meat products hardly grew at all, while consumption of milk, milk products and fruits even declined. According to calculations by VNIIEF [All-Union Scientific Research Institute of Consumer Demand and Market Conditions] specialists based on consumption and retail turnover tendencies toward growth observed during 1966-1975, the sales volume of 10 basic food items for which statistical data concerning consumption were kept, would have reached almost R 5 billion in 1980.

The development of retail commodity turnover according to regions is characterized by a higher rate of growth in the Central Asian and Trans-Caucasian union republics, where commodity turnover per capita lags behind the union average. In 1960-1980 the volume of retail commodity turnover increased 3-4 fold in the Uzbek, Kirghiz and Tajik unions republics; and in the Armenian SSR it increased 3.5-fold as against a 2.4-fold increase for the country as a whole. Meanwhile, in the Lithuanian SSR and Estonian SSR, where the commodity turnover had been higher than the nation's average, 177 and 77 times higher respectively, the volume likewise grew rather intensively. While the equalization in the republic levels of commodity turnover shows some common positive trends, some differences are also evident. For example, retail commodity turnover calculated per capita increased in the Latvian SSR from 314 rubles in 1965 to 647 in 1980; in the Georgian SSR from 239 to 510 rubles, in the Azerbaijan SSR from 290 to 609 rubles, in the Kirghiz SSR from 210 to 720 rubles and in the Tajik SSR from 227 to 585 rubles.

The consistent policy of our socialist state, a policy which is aimed at overcoming the difference between the city and the countryside, and at narrowing the difference between the urban and rural standard of living also manifests itself in the rate of growth in monetary income. In 1977-1980 the rate of increase in labor payments to holders of contracts was 10 percent higher than that for the wages of blue- and white-collar workers. As a result, the rate of growth in commodity turnover in rural areas accelerated: it increased 26 percent, calculated per each rural resident, and 19 percent for each city resident. The demand of rural residents for such products as radios, television sets, refrigerators, washing machines, cars, furniture, etc. has started to be satisfied more fully.

In the years 1966-1980 sales of the following appliances and other consumer goods grew at the highest rates: radios, television sets, bicycles, motor cycles, china and glass, toys, and passenger cars. There has been a substantial improvement in the supply of high technology items for long-term use.

For example, the supply of refrigerators (calculated per 100 families) increased nearly 4-fold, the increase was 4-fold for vacuum cleaners and 3.5-fold for washing machines. The growth of supplies of these items provides evidence of improvements in the material well-being of the population and of its higher cultural level. Improvements in living conditions and the achievements of scientific and technical progress have contributed to a substantial rise in the degree of comfort and the technical level of daily life, of family and individual leisure.

However, it is essential to further improve the relations of basic elements of the national income, as well as to improve the utilization of the consumption fund. The proportion of retail commodity turnover in state and cooperative trade in the national income is increasing steadily. Overall, at the same time, a positive tendency is one of the decisive factors leading to an increase in the production of consumer goods. It is to resolve this task as quickly as possible the CPSU Central Committee and the USSR Council of Ministers have considered on many occasions issues related to the elimination of shortages of certain high necessity and heavy demand items. This has found reflection in certain measures concerning expansion of production for these items and improvement of the variety and quality of these goods. Additional targets for growth in the production of these goods were established for industry. The responsibility of the Council of Ministers in the union republics for the fulfillment of these targets has been increased, as has the responsibility of the local Soviet and party organs. In accordance with the plans for the development of foreign trade turnover, imports of items necessary for the population have been expanded, especially imports from the CMEA member countries.

The balance of supply and demand are influenced even more strongly by the consumer's situation, which is creating new aspects in the development of demand. Unfavorable factors, which have substantial regional differences, must be taken into account when implementing policy in the area of monetary

incomes, public consumption funds, prices and the planning of product ranges.

For example, from 1959 through 1979 the number of pensioners increased approximately 2.5-fold (up to 48 million people), and their proportion of the total population increased from 10 to 18 percent. In this regard, the problem of forming and satisfying a specific circle of needs experienced by a given group of the population, taking into account the level of income, is becoming ever more acute. These includes needs for dietary food products, comfortable clothing and footwear (with functional considerations predominant over factors of fashion or prestige in this particular demand), the usual items for health and hygiene, for simple, reliable and acceptably priced appliances (refrigerators, radio receivers, television sets, etc.), for furniture, for a wide range of commercial and consumer services (purchases by order with home delivery, repairs at home, laundry and dry cleaning services, etc.). The formation of pensioners' needs requires the development of new forms of trade organization which will make it possible in turn to reduce the load on stores.

One of the main reasons that above-norm stockpiles of goods occur is that the goods do not meet the public's demand for variety or quality.

Frequently the total volume of population demand for goods is identified with the population's buying fund. The public's buying fund, which is calculated from the balance of monetary income and expenditures, does not characterize the entire volume of demand. It takes into account only those expenditures which are related to the acquisition of goods in state and cooperative trade. However, demand represents qualitatively the magnitude of the potentially satisfiable (given existing levels of monetary incomes, prices, sources and resources, sales channels, etc.) needs for goods and for those services, which, if not realized, make the consumption of the goods impossible. For this reason the size of the purchasing fund which can be used as the basis for determining public demand should be calculated with consideration for increases in savings held in deposits and money kept on hand by the public due to unsatisfied demand.

Calculations of the supply of goods are based on the determination of material balances, industrial plans and the plan for foreign trade turnover. Determining the total volume of supply for groups of goods and for particular goods is based on average retail prices, the calculation of which represents an exceptionally complex task, especially when it is for an extended period of time. In particular, this determination is related to a consideration for future volumes and the intra-group structure of goods production, the output of items which are fundamentally new, inter-replacability and inter-supplementability in the consumption process, market factors which are determined by the relation of supply and demand. In addition, for a number of product groups (clothing, haberdashery, certain food products, etc.) the calculation of average retail prices is practically impossible. At the same time the influence of average retail prices on increases in retail trade turnover is growing stronger.

The planned nature of our economy, the developed economic ties and the goal-oriented formation of the level and structure of prices makes it possible to orient production toward the output of those goods which are essential to the population. There is growing significance in the utilization of the achievements of scientific and technical progress to improve and optimize the variety of goods, to improve their quality, to improve the targeting of particular items to particular population groups; the development of links between supplies of raw materials; the coordination of production and strengthening of the role of head ministries; and increases in producers' responsibility for goods put onto the market, and creation of centers to study public demand, etc.

The following constitutes an important aspect in the work of balancing supply and demand: the provisions of grounds for reserves which are essential for maintaining supplies of goods given possible fluctuations in demand and "leap-plan" growth in monetary incomes, as well as shifts in demand for from certain goods to others, etc.

The balance of supply and demand represents one of the most complex forms of balance which must be achieved in the national economy, because the entire system of general and partial proportions is manifested in it. Moreover, a particular feature of this balance lies in the existence of many links and of the two types of cost and material-substantial proportions which influence directly and indirectly this balance. The larger the number of links in public production which determine balance, the more complex is its mechanism and the forms which it manifests. The entire system of cost and material-substantial proportions which determine the balance of supply and demand can be viewed as a proportionality of high complexity. This complexity is the result of the extremely frequently branching which characterizes the system of economic-organizational relations and ties which give rise to it. In our view, in this also lie the reasons for the great likelihood of violations in this system. This is possible because the economic mechanism and plans do not stipulate appropriate reserves, and flexible levers to eliminate deviations from the balance.

It cannot be expressed as a mechanical correspondence for a given product at any given moment; instead it must be a determining trend toward this kind of correspondence. The striving toward aligning production with consumption and toward a predetermined planning is an inherent characteristic of the socialist method of production. This desire must be constantly maintained, and deviations must be corrected by means of the economic mechanism, by its levers and methods.

Shortages and unsatisfied demand constitute one of the key socio-economic tasks. The party is concentrating the efforts of many sectors, especially in agriculture and the agro-industrial complex, to resolve it. In the next three-year plan period a whole series of measures is to be adopted to improve the Soviet people's standard of living. Real per capita incomes are to be increased by 16.2 percent, retail turnover of state and cooperative trade will increase (in comparative prices) by 23 percent, and the production of consumer goods will increase by 26.2 percent.

Provision of paid services for the public will be expanded even more energetically. This will create the material preconditions for fuller satisfaction for public demands for goods and services, and for the balance between supply and demand as well as stability in currency circulation. This will make it possible to improve conditions to stimulate growth in labor productivity and in the end to improve the effectiveness of public production. The planning and sector organs of administration, as well as scientific organizations, face a difficult task--to search for reserves to improve the balance between supply and demand.

In recent years VNIKS has intensified its investigation of the reasons for the formation of unsatisfied demand and expanded its work to develop recommendations on how to overcome this problem in the nation as a whole and in the union republics. In the process of these investigations there have come to light additional reserves and factors which contribute to the further equalization of the economic conditions and to elimination of differences in the standard of living experienced by the populations of the various union republics.

Branches of the institute have completed the following works which are valuable from a practical point of view: "An Investigation of the Problems of Increasing Commodity Resources of Milk in the Nation" (the Estonian branch), "Determination of the Volume and Structure of Demand Which is Realized under Conditions of Short-Term Migration of the Population Given Territorial Prognostication of Retail Commodity Turnover" (Latvian branch), "Determination of the State and Prospects for the Development of Demand for Cotton Products" (Turkmenian branch). Predictive studies by the Ukrainian, Moldavian and Lithuanian branches, methodological formulations for the determination of the volume and structure of unsatisfied demand by the Georgian and Belorussian branches and works on constructing supply and demand balances by the Moldavian branch have extremely urgent significance.

With the participation of VNIKS every branch is attempting to make its contribution to the resolution of the general tasks which face the sector. These tasks are becoming ever more complex by virtue of the extremely dynamic nature of the factors which determine not only the current market situation, but also the proportions, and trends in the development of the economy under conditions of a constantly accelerating influence of scientific and technical progress.

Our multi-nationality institute expresses the triumph of the Leninist national policy, which embodies in itself the achievements of the nation in the years which have passed since the formation of the USSR. Depending on the quality of the investigations carried out by every branch is the work of increasing the effectiveness of that great large and multi-plan work which is related to the study and prediction of demand, to the analysis of market conditions in trade, to the formation of needs, to the economic substantiation of consumer orders and demands, to the determination of consumer preferences, to the organization of product ranges for consumer goods, to the struggle against inflation, and in the end to the management of the socialist internal market and to the planning of production and the realization of consumer goods.

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## CONSUMPTION TRENDS AND POLICIES

### AZERBAIJANI LIGHT INDUSTRY MINISTRY CRITICIZED

1827/150 [Editorial Report] Moscow PRAVDA in Russian 7 March 1983 first edition carries on page 7 a 1,600-word article entitled "The Light of Good" by Anar, member of the Azerbaijan Union of Writers, who writes from Baku. The article, under the rubric "Conversations About Morality," highlights instances of "indifference to social interests" in Azerbaijan. Anar cites the negligent attitude of some leaders of the republic's Light Industry Ministry toward labor and production organization and the high rate of "slacking" and "cadre turnover" in the light industry leading to lost production and fines running into millions of rubles. Anar highlights instances where convicted offenders have been chosen as "candidate people's assessors" in the republic's Divichinskiy Rayon and looks to the decisions of the 26th CPSU Congress to provide guidance in rectifying the situation.

OSW: 1827/150

## PERSONAL INCOME AND SAVINGS

### LATVIAN SAVINGS BANKS DESCRIBED

Moscow DEN'GI I KREDIT in Russian No 10, Oct 82 pp 62-64

[Article by V. K. Chirkov, chief of the deposits, state loans and lotteries department of the Latvian Republic Main Administration of Worker State Savings Banks]

[Text] The entire Soviet people is enthusiastically preparing to celebrate a glorious historic anniversary--the 60th Anniversary of Formation of the USSR--with labor achievements, and the personnel of savings banks will also be celebrating their own anniversary--the 60th anniversary of formation of savings banks.

It has become a good tradition among the Soviet people as such important anniversaries approach to glance over the road that has been traveled, to draw up the results and to outline new targets for step-by-step advance in economic and social development.

Soviet savings banks in LaSSR commenced their activity considerably later than in most other union republics, since here Soviet power was established in August 1940, but less than a year went by thereafter before its territory was subjected to the temporary occupation by the German fascist hordes, and only after the occupiers were driven out of Latvia in 1944-1945 did the republic's savings banks begin their active operation.

Under the guidance of party and Soviet authorities and with the help of the other republics they have been able over that period to achieve a high level of development of savings operations and to come up to national standards.

At the present time Latvia's savings banks have 1,472,000 accounts for the deposits of individuals, and the sum total of savings kept in them exceeds 1.8 million rubles. For every 1,000 inhabitants of the republic there are 580 accounts of depositors, and the per capita balance amounts to 711 rubles, and this includes 436 accounts of depositors for every 1,000 rural inhabitants and an average balance of 584 rubles.

The credit transfer system for depositing money income of individuals has been well developed: in 1981 it amounted to 357 million rubles. The targets set for 1981 for the volume of credit transfers were overfulfilled for all indicators. More than 100,000 workers, employees and kolkhoz members transfer t

accounts in savings banks a portion of their wages and money income earned on kolkhozes as remuneration for work, which is 7.6 percent of the total number of workers employed in the republic's economy. In addition, nearly all kolkhoz members transfer to savings banks amounts accruing to them from procurement organizations for livestock sold and other farm products raised in private farming operations.

Operations of paying wages to workers and employees and money income to kolkhoz members directly through savings banks have undergone considerable development. By the beginning of the current year this new form of accounts was being used by 44,300 workers and employees and 24,200 kolkhoz members, which amounts to 5.2 percent of the total number of the republic's workers. Moreover, the relative share of kolkhoz members receiving money income through savings banks is 20.6 percent of their number.

Nearly all central savings banks have a specific schedule for the 11th Five-Year Plan of the conversion of enterprises, organizations and kolkhozes to payment of money income to workers through savings banks. By and large this schedule is being adhered to. The main administration monitors its fulfillment.

Other services are also rendered to the public on a broad scale. Practically all payments for rent and municipal services and utilities go to savings banks. The consolidated payment book, in which payments for municipal services and utilities are incorporated into a single payment document, has long ago been introduced in the republic; it has greatly reduced the number of operations involved in receiving payments and the amount of labor required to handle them. More than 10,000 accountholders make these payments by credit transfers, which they do by filling out long-term orders authorizing that amounts be withdrawn from their accounts to pay for rent and other services. Of course, the number of such orders is not as high as it should be at present, and for that reason the main administration is taking steps toward broader development of this type of settlement. At the same time we should note that development of these operations is being held up because the procedure for conducting these operations is less than perfect. To be specific, accountholders are dissatisfied because the savings bank does not issue them receipts and merely enters the payments in the passbook, which, when it is used or the account is closed, is kept in the savings bank, so that the payer does not have in his possession any evidence of payment.

The target assigned for settlement of accounts by individuals with municipal services and trade enterprises on a credit transfer basis in 1981 was also fulfilled for every indicator, but it has to be admitted that the payment checks of savings banks are mainly used by individuals to pay for automobiles and motorcycles, and they are still not being used extensively for other industrially produced goods valued at 200 rubles or more, in spite of all the steps that have been taken to popularize them.

We believe there are two basic causes for this: First--it is not possible to obtain change in the store for a check made out to more than 100 rubles, but often it is impossible to foresee in advance how much the thing one intends to

purchase will cost. There is often no time to return to the savings bank for a new check, and one must therefore carry cash in one's pocket. The second cause is the check's short life. It is not always possible to find what one wants to buy within 2 months, and the check has been returned to the savings bank. In our opinion checks should be given a wider field of application, allowing stores to make change in cash for checks in any amount and allowing savings banks to cash them if the holder needs to receive cash. Stores can accept a payment check in any amount in payment for a purchase without hindrance, but savings banks cannot cash it. Only in exceptional cases are they allowed to do this, and that with permission of the administration of Gos-trudsbetskass [Worker State Savings Banks], which is not so simple to obtain if the holder is in another city.

Deposits covered by consolidated savings books have undergone development in the republic. More than 15,000 workers keep their savings in such accounts, and the sum total of their savings amounts to 11.7 million rubles. Quite an effort has been made to popularize them, but the results of this work have been very modest. In our view this is because the operations themselves are too complicated and laborious, and also because the principle of crediting their results to fulfillment of planning targets for attraction of deposits has not been fully worked out.

The plan for attracting deposits in the first 6 months of this year was fulfilled at 152.8 percent, and the target for placement of freely circulating loans was overfulfilled by a factor of 2.5. Personnel of Latvia's savings banks understand perfectly that success never comes about in and of itself. Constant and painstaking work is necessary to explain to the public the role and importance of deposits in savings banks and state loans and the advantage and advisability of using the various services which savings banks render to the worker.

That is why the main administration and central savings banks every year carry out a program of combined efforts related to organization, public information and advertising. Practical recommendations aimed at improving the work of savings banks are drafted periodically, as they become necessary, and submitted for consideration to the government of the republic or respective executive committees of city and rayon soviets of people's deputies. Conferences are held two or three times a year with the chiefs of central savings banks to discuss the results of work done to attract the funds of individuals and to serve the workers, the shortcomings that exist are sharply criticized, and specific tasks are set.

Much attention is paid to monitoring local performance of the instructions of the Gosbank Board and the Board of Gostrudsbetskass on the problem of savings bank operation both through specific inspections and audits and also by summoning the chiefs of central savings banks to present reports on progress in carrying out planning assignments and on measures they have taken to improve service to the public, to ensure the safekeeping of money and valuables in savings banks, and to improve cash operations and bookkeeping. Particular importance is attributed to organizing and conducting work to explain the various aspects of savings accounts to the public. Over the past year alone

republic newspapers have published nine detailed articles on development of savings accounts, on operations conducted with accounts, state loans and the money-merchandise lottery, 385 different announcements and pieces of advertising with stereotyped drawings, and rayon newspapers published 146 articles and notices. Material containing advertising and information and colored illustrations is also being published in republic magazines and journals.

Republic and local radiobroadcasting and also television are being used extensively to popularize savings accounts. There are two illuminated signs in Riga with moving word display (the so-called "traveling line"). The advertising videotapes produced by the Gostrudsbetsk Board are a very successful way of popularizing savings accounts. We have translated almost all of them into Lettish. These texts are read by the best announcers of Latvian Radio and Television; new musical accompaniment has been prepared for them. Original videotapes have been reproduced in the necessary quantity and distributed in the field. They have been shown 686 times over republic radio and rayon radio stations and 939 times over other local radio stations. Some large savings banks regularly show the videotapes right in the bank lobbies. This is persuasive advertising for the credit transfer system.

The main administration is publishing a great deal of varied printed advertising in Russian and Lettish; to be specific, over the past year nine colorful illustrated placards have been issued on savings accounts, the State Domestic Prize Loan, payment by credit transfer, and the money-merchandise lottery. At the same time we are giving preference to placards which are illustrations in color made from good-quality slides. These placards are pleasant to look at and they attract the attention of the workers.

Ten colorful posters and 15 different advertising handbills have been released with a total printing of more than 400,000, and 8 types of advertising appointment calendars with varied and attractive color illustrations in a total printing of 320,000. An illustrated 18-page prospectus entitled "Take Advantage of the Services of Savings Banks" has been published in Russian and separately in Lettish. Each page is devoted to some aspect of savings bank operation and is advertising material that provides information and can be used as reference; aside from the text, there are one or two color illustrations on each page. The cover itself is nicely done. The workers show great interest in this kind of advertising, and it will undoubtedly undergo further development.

Attention is also being paid to fixed advertising. A large new gas-illuminated sign about savings accounts bearing the emblem of Gostrudsbetsk has been set up on the roof of one of the buildings in Riga. In all, there are 22 gas-illuminated displays in this city. They also exist in cities under republic jurisdiction and in certain rural rayons where their technical maintenance is possible. Models have been developed of nice-looking comprehensive billboards 20 meters long and 3 meters high on which advertising is placed on all the important aspects of savings bank operation. These billboards will be set up in the very near future in Riga's squares and public gardens. In the advertising field the main administration is adhering strictly to the position of socialist realism. Advertising must be serious, truthful, persuasive and attractive in appearance.

We have achieved definite results in this direction. The Board of USSR Gos-trudsbetskass, jointly with the central committee of the trade union of personnel of state institutions, has awarded our administration an honorary certificate and money prize for the results of the all-union competitive review for the best organization of the effort to popularize with the public the services extended by savings banks.

But the personnel of Latvian savings banks know that even the very best organization of public relations and advertising will not yield the necessary results unless the public is given good service at the same time. To that end a great effort has been made in the republic to improve the network of savings banks. Over the last 10 years the number of savings banks with fulltime personnel has almost doubled. Over just the last 5 years up-to-date new offices have been built for 13 central savings banks and 5 central savings banks have received additional space. Now the overwhelming majority of central savings banks have all the facilities they require for fruitful operation.

All central savings banks and most first-class savings banks have been furnished standard equipment. The hours when savings banks are open to the public are being improved so that the workers can take advantage of their services in their free time.

Of course, we also have shortcomings and unsolved problems. The entire work force of the republic's savings banks is now working to correct the shortcomings that exist and to further improve its work. Nationwide, republic and rayon socialist competition in which all savings banks participate and also socialist competition among savings banks are an important incentive in this effort. The personnel of savings banks are fully determined to make their contribution through vigorous work to solving the problems that are outstanding and to celebrate properly the glorious anniversary of our country and the 60th anniversary of Soviet savings banks.

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